

SMS CO., LTD.

(Securities Code: 2175 / TSE1)

Presentation Material for Investors

Financial Results Summary for the First half of
the Fiscal Year Ending March 31, 2018 (the 15th Fiscal Year)

October 27, 2017



SMS
Best matching Best value

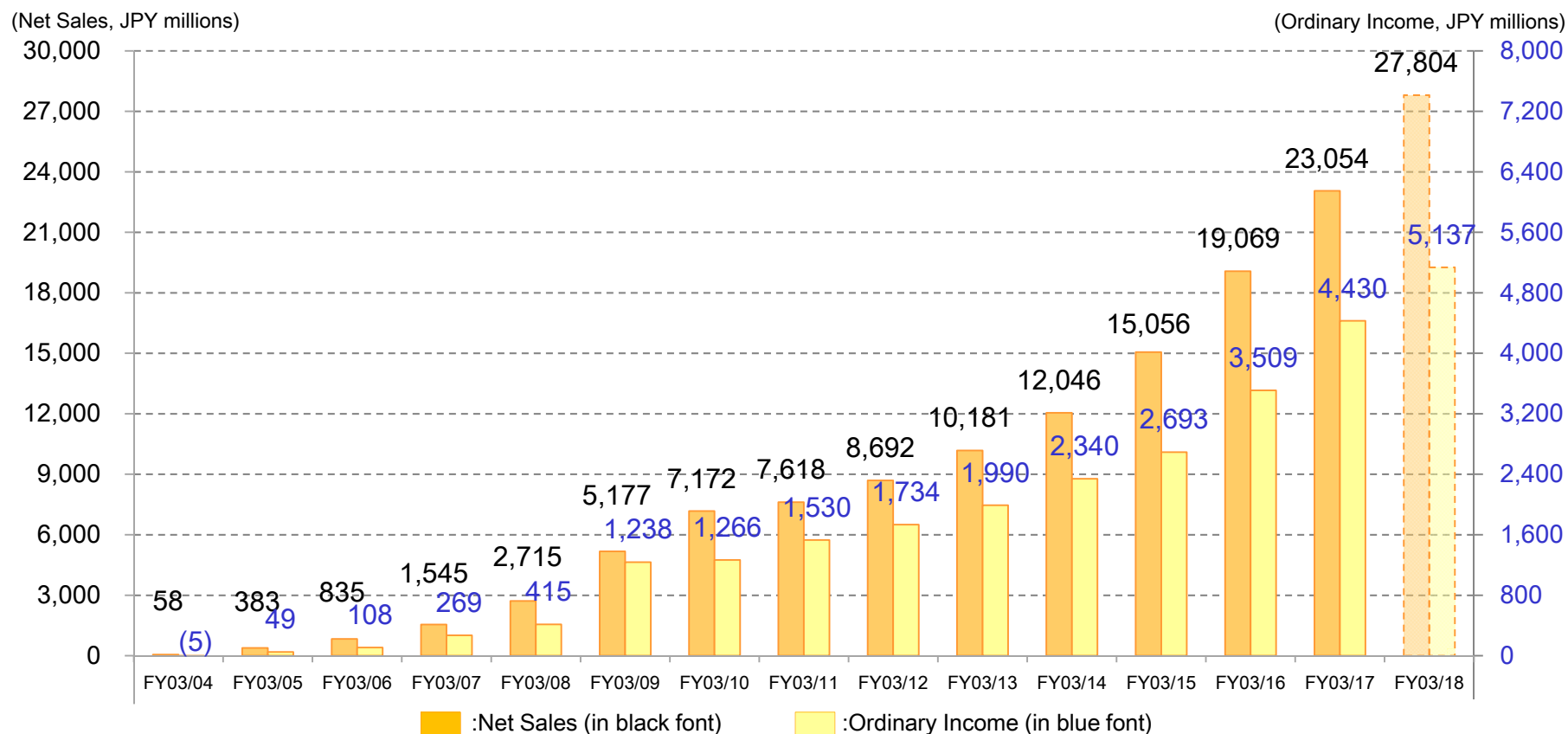
1	1H FY03/18 Consolidated Financial Results	P3-P9
2	Appendix	P11-P48

1**1H FY03/18 Consolidated Financial Results****P3-P9****2****Appendix****P11-P48**

1 Historical Financial Results and FY03/18 Forecasts

- ✓ Expects to achieve growth in both net sales and ordinary income for the 14th consecutive year since the establishment.

Trends in net sales and ordinary income



1 1H FY03/18 Consolidated Financial Results



- ✓ Net sales increased, and incomes decreased YoY due to investments, including new hirings.
- ✓ Incomes have been below the forecasts due to additional investments in the high-performing Elderly Care Career Segment.
- ✓ Net sales and incomes are in line with the forecasts on a full-year basis.

P/L Statement [¥ million]

	1H FY03/17 Actual	1H FY03/18 Forecasts	1H FY03/18 Actual	YoY Change	vs. Forecasts
Net sales	11,990	13,484	13,162	+ 10%	- 2%
Operating Income	2,311	2,311	2,146	- 7%	- 7%
Ordinary Income	2,930	2,793	2,690	- 8%	- 4%
Net Income	1,843	2,009	1,859	+ 1%	- 7%

- ✓ Net sales increased 15% YoY.
- ✓ Grew steadily as planned.

Year-on-Year Comparison of Net Sales [¥ million]

	1H FY03/17	1H FY03/18	YoY Change
Elderly Care Career	2,084	2,771	+33%
Medical Care Career	5,590	6,076	+9%
Total	7,675	8,847	+15%

Highlights

- Net sales in the Elderly Care Career Segment has been growing significantly.
 - Recruiting Agent for care workers has been growing significantly in 1H by increasing the number of consultants.
 - Recruiting Agent for rehabilitation therapists has been growing significantly.
- Net sales in the Medical Care Career Segment has been growing steadily.
 - Recruiting Agent for nurses has been growing steadily.

1 Elderly Care Operators Segment (Kaipoke, 1H)



- ✓ Net sales increased 19% YoY.
- ✓ Grew steadily as planned.

Year-on-Year Comparison of Net Sales [¥ million]

	1H FY03/17	1H FY03/18	YoY Change
Elderly Care Operators	1,339	1,593	+19%

Highlights

- The number of Kaipoke membership locations has been increasing YoY.
 - The number of the membership has increased by 800 locations YTD.
(As of October 1, 2017: 14,300 locations [20,100 service offices*1])
 - Net sales for the factoring service and also for the optional services such as providing additional tablet PCs have increased.

*1. # of locations: the number of service office locations # of service offices: the number of elderly care services provided based on the public elderly care insurance scheme
e.g. When an operator provides two types of elderly care services, home care support services and home-visit elderly care, at one specific address, the number of locations should be one and the number of service offices should be two. The subscription fee is charged for every membership location. Normally, the number of locations would be smaller than the number of service offices.

- ✓ Net Sales decreased YoY due to the sell-offs of overseas businesses in the previous fiscal year and the difference of the sales recording timing in MIMS from the previous fiscal year.

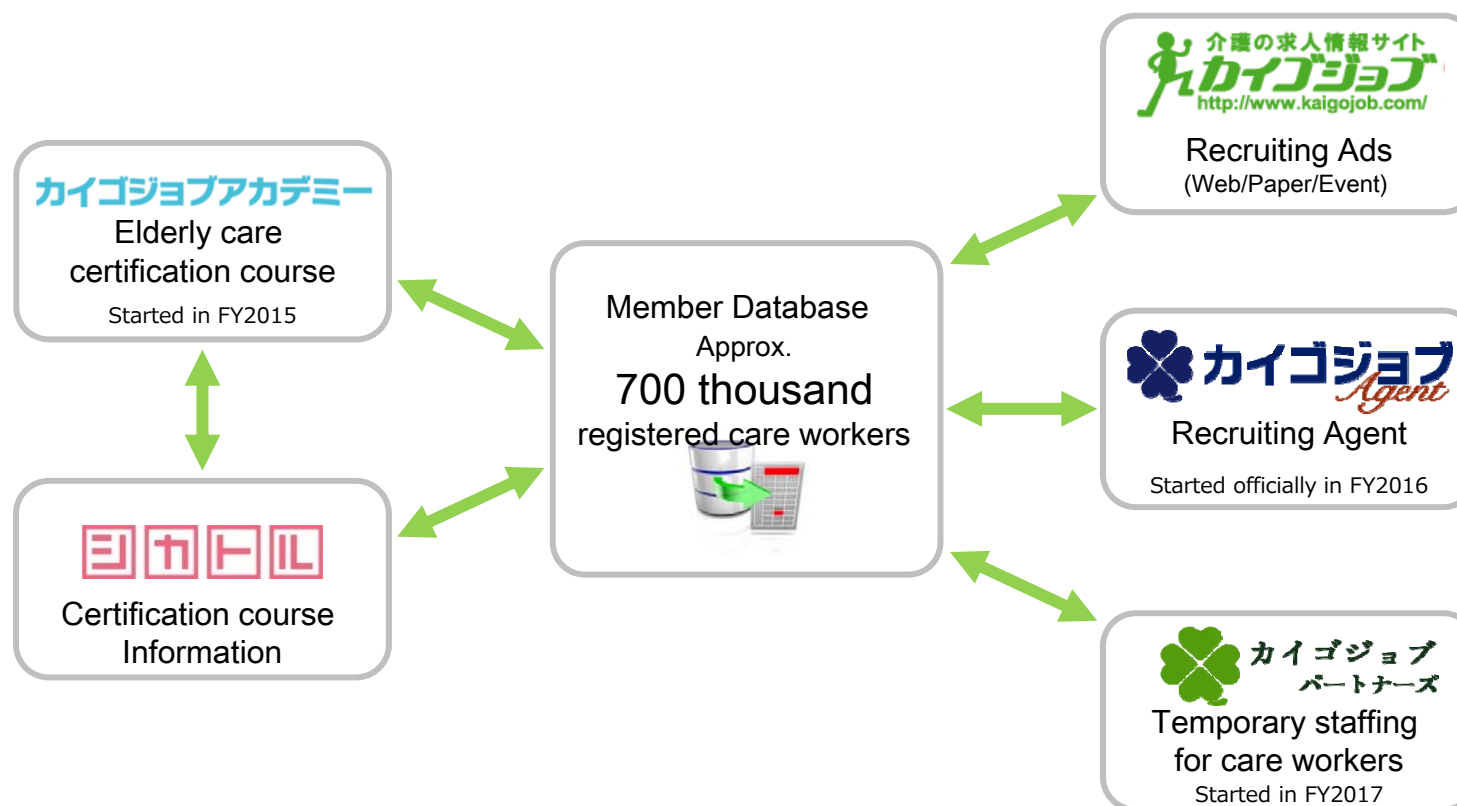
Year-on-Year Comparison of Net Sales [¥ million]

	1H FY03/17	1H FY03/18	YoY Change
Overseas	2,219	2,011	- 9%

Highlights

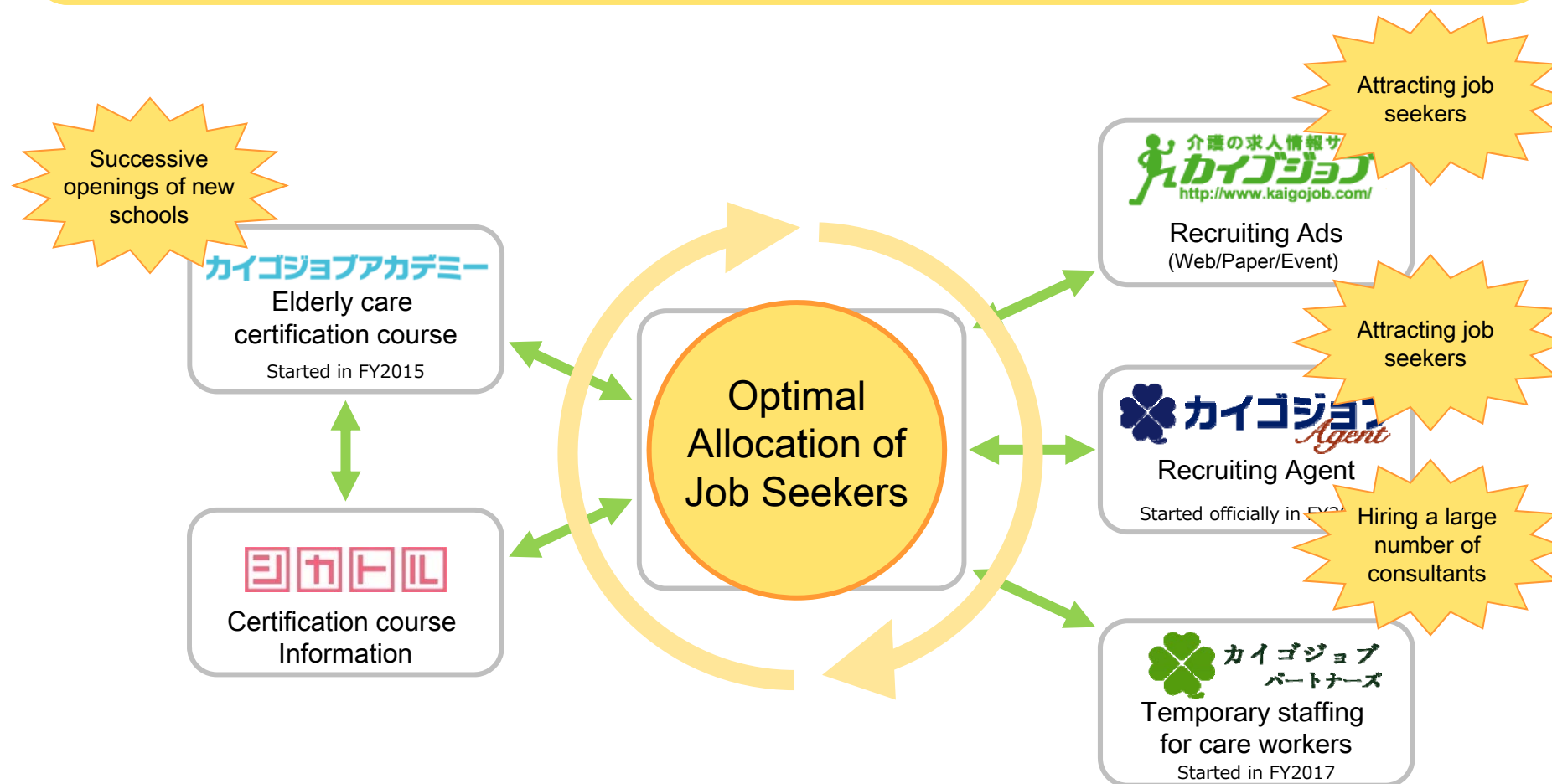
- The sell-offs of the overseas businesses such as eChannelling (Sri Lanka) conducted in the previous fiscal year and the difference of the MIMS Book publication timing resulted in the YoY net sales decrease.
- Net sales has not reached the forecast as the acquisition of Melorita was delayed from the original schedule.

- ✓ Leveraging our database of 700 thousand registered care workers, expands not only Recruiting Ads but also Recruiting Agent and the temporary staffing service in order to maximize the value offered to the care workers and service operators.
- ✓ Contributes to the increase of care workers with high social needs by supporting them to acquire qualifications.



1 Topic: Progress in Elderly Care Career Strategy (1H)

- ✓ With its strong strategic progress, additional investments have been executed in the Elderly Care Career Segment.



1

1H FY03/18 Consolidated Financial Results

P3-P9

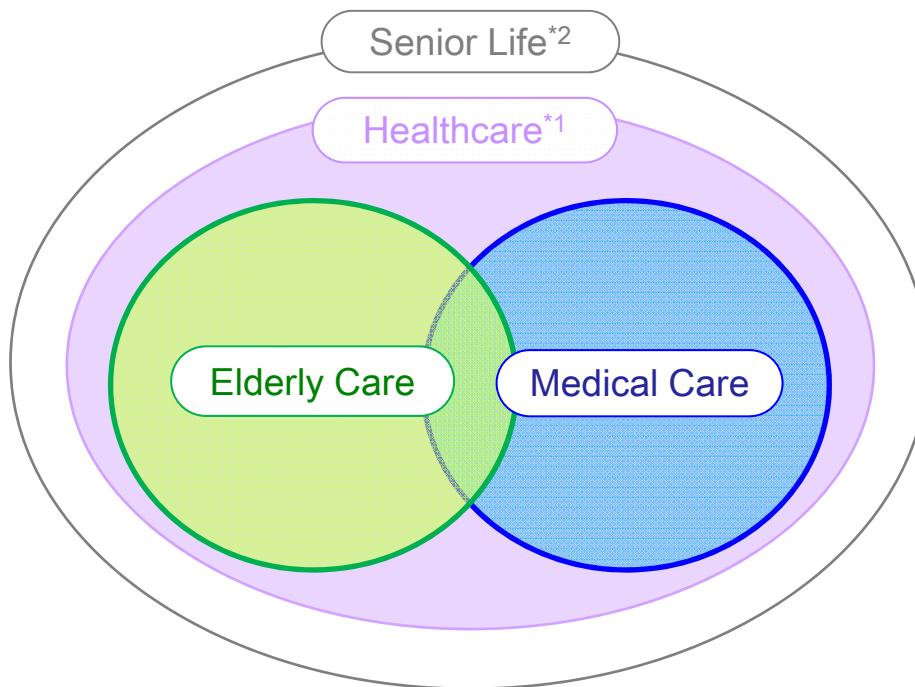
2**Appendix****P11-P48**

We create value and contribute to society by providing an “information infrastructure for an aging society.”

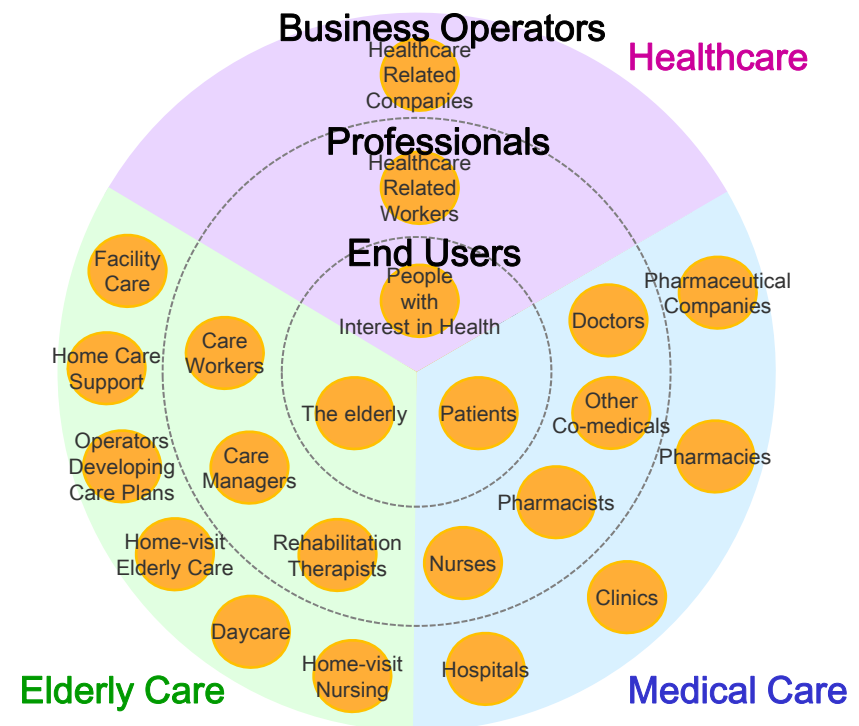
2 Market Segments and Stakeholders

- ✓ Provide an information infrastructure which fills in information gaps among stakeholders in an aging society.

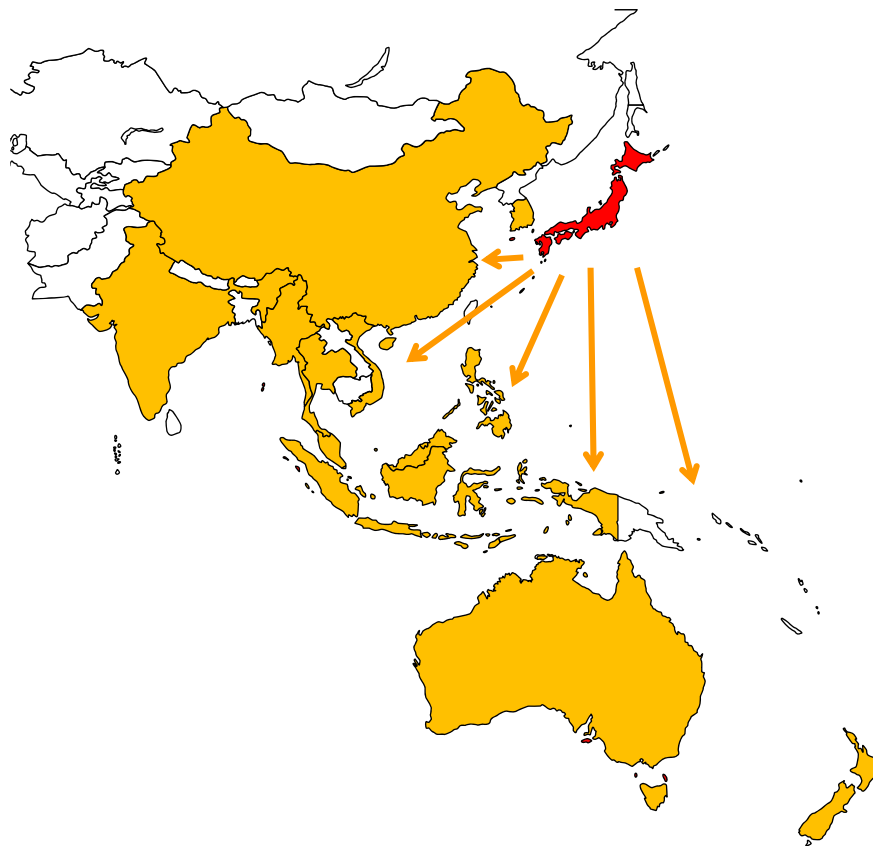
Market segments in an aging society



Stakeholders covered by an information infrastructure



- ✓ Started our businesses and have already established strong positions with high growth potential in Japan.
- ✓ Expanding our businesses into the growing Asian^{*1} markets.



■ Asia



Japan



Korea



China



Hong Kong



Singapore



Philippines



Thailand



Malaysia



Indonesia



Vietnam



Myanmar



India

■ Oceania



Australia



New Zealand

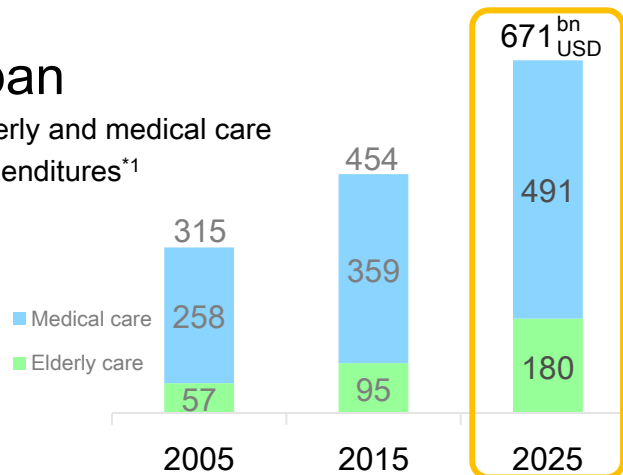
2 Size of Our Target Market

- ✓ Healthcare related expenditures continue to rise both in Japan and Asia.
- ✓ In 2025, the size of our target market will be at least over \$29.4 billion in Japan and Asia.

Market size of healthcare related information services in Japan and Asia (USD billions)

Japan

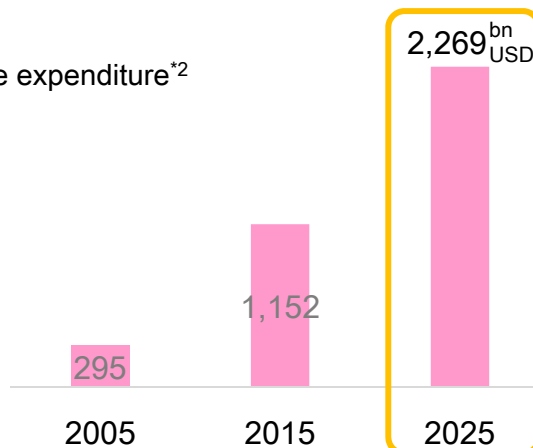
Elderly and medical care
Expenditures*¹



$$\times 1\%^* = 6.7 \text{ bn USD}$$

Asia

Healthcare expenditure*²



$$\times 1\%^* = 22.7 \text{ bn USD}$$

Total market size
in 2025

**29.4 bn
USD**

* Information services would account
for at least 1% of the total expenditure

- ✓ Our growth so far has been driven by Career Businesses.
- ✓ Kaipoke and Overseas Businesses have been growing as the second and the third pillars of our business portfolio.

Strategic Units

Career Businesses

- No.1 player in the market of elderly and medical care recruiting services



Kaipoke

- The only player providing cloud-based business support service for elderly care operators



Overseas Businesses (MIMS)

- Led by the MIMS group that SMS acquired in October 2015
- MIMS is No.1 drug information service provider in Asia

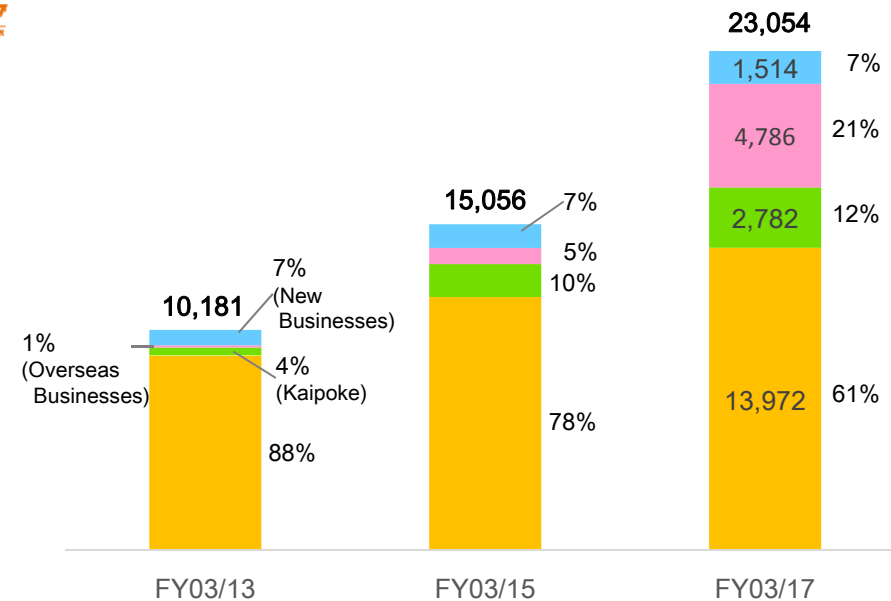


New Businesses

- Developing a series of new businesses

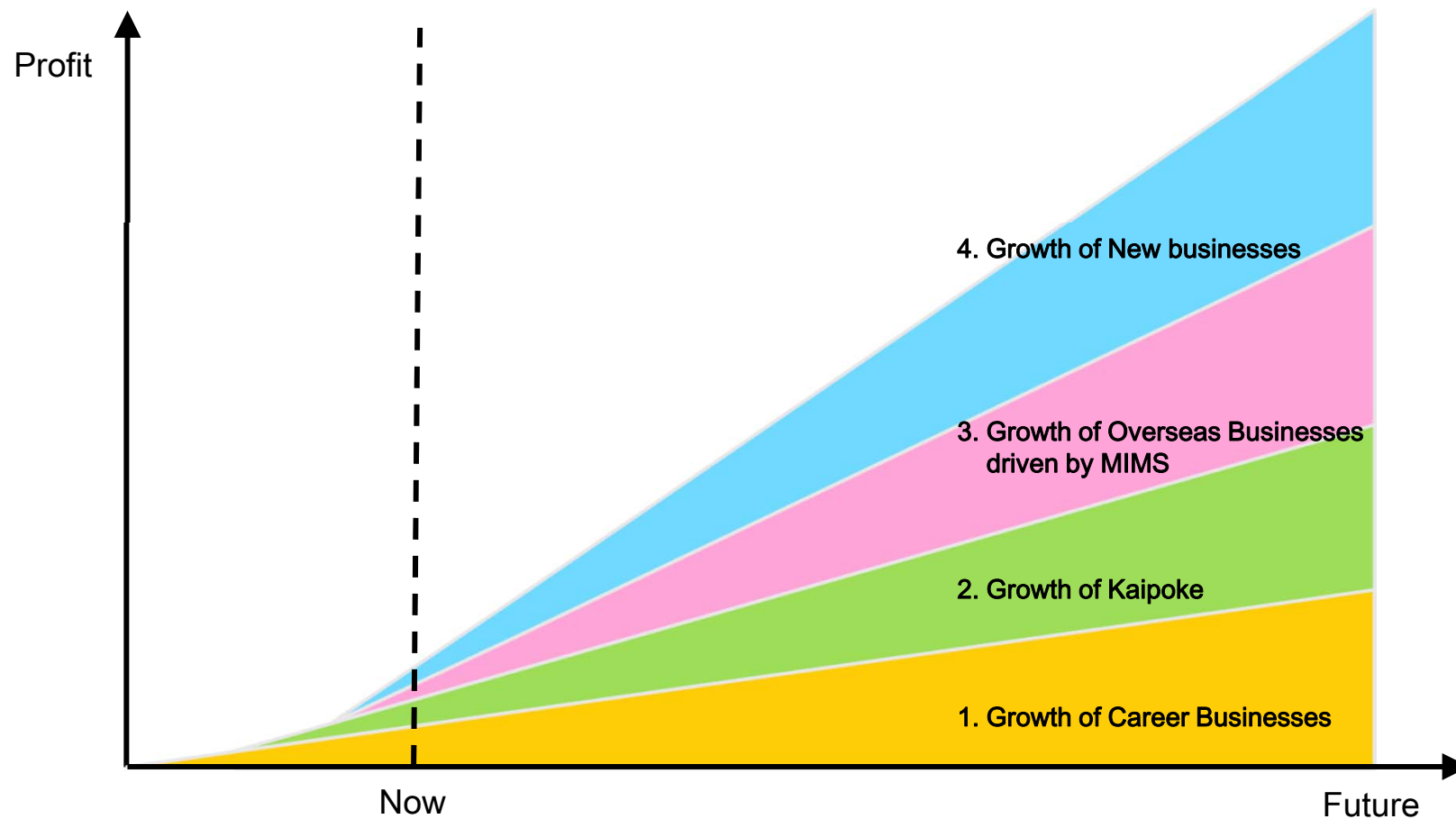
Breakdown of Net Sales

(JPY millions)



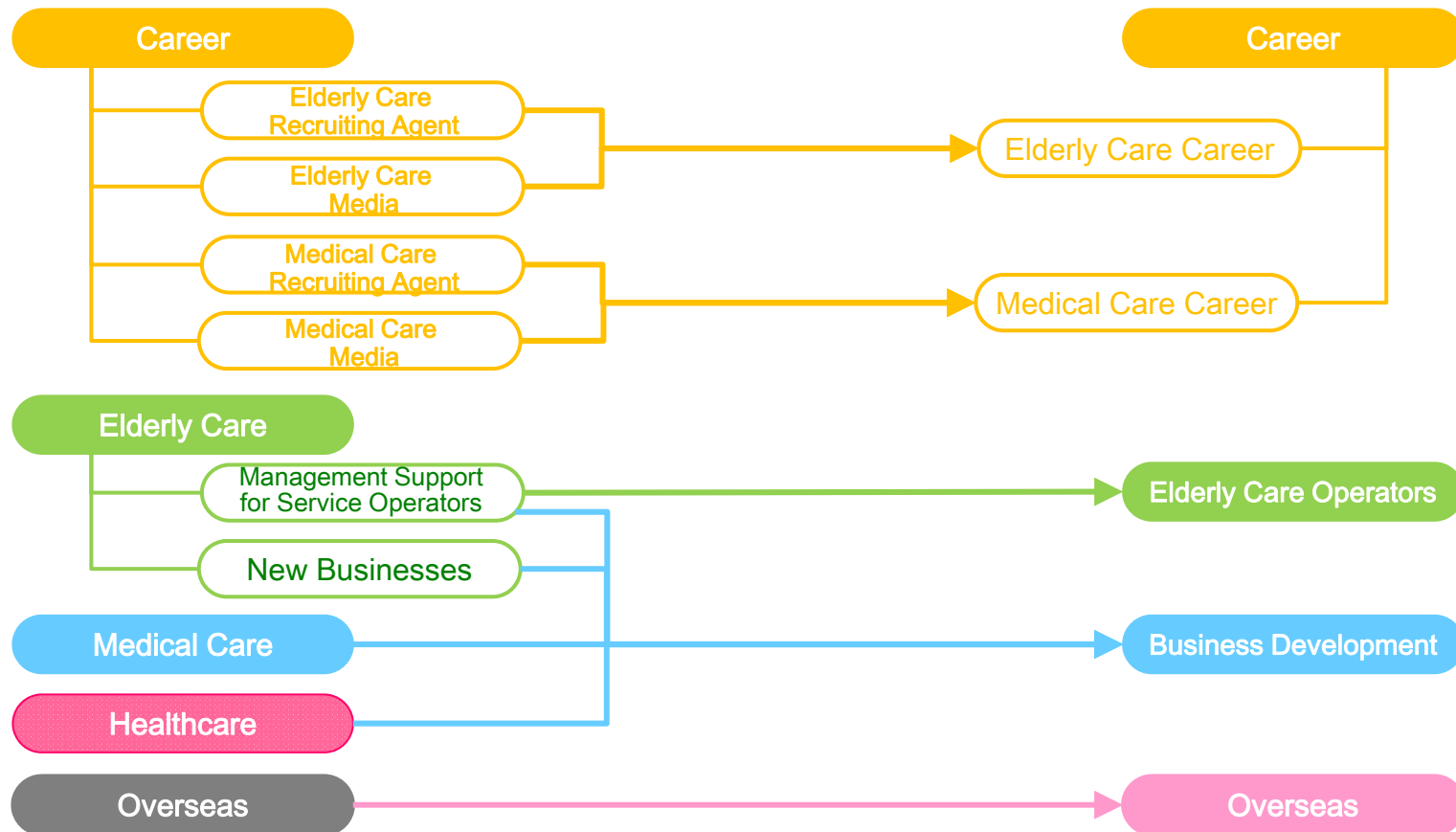
■ Career Businesses ■ Kaipoke
■ Overseas Businesses ■ New Businesses

- ✓ On top of the Career Businesses' stable growth, accelerate Kaipoke's growth and put MIMS on the growth track.
- ✓ Develop a series of new businesses to create the next pillars of our businesses, which will further drive our growth in the future.



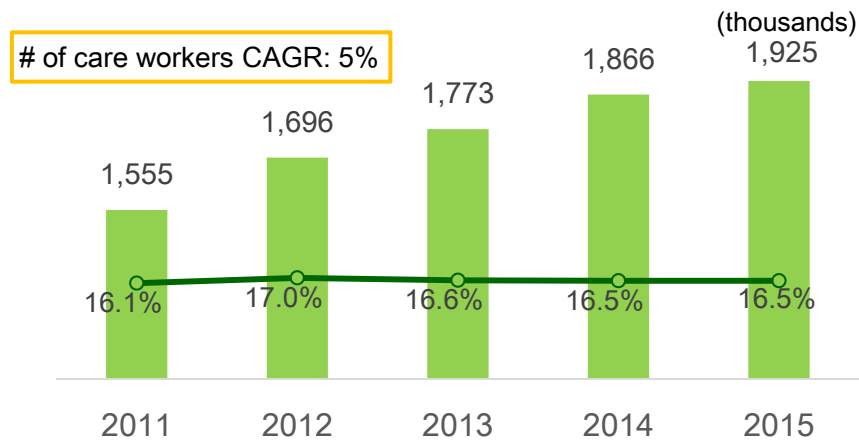
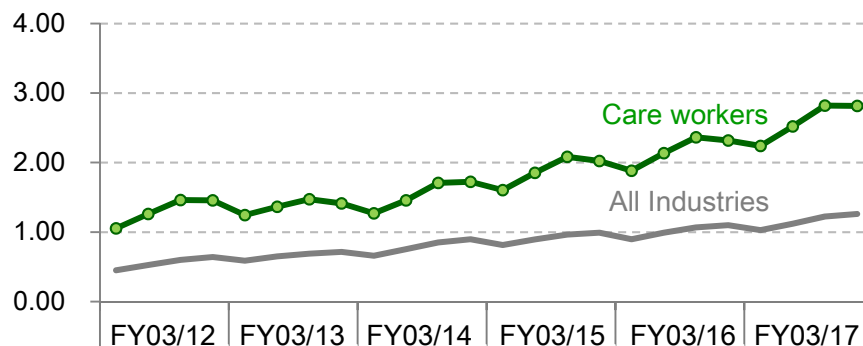
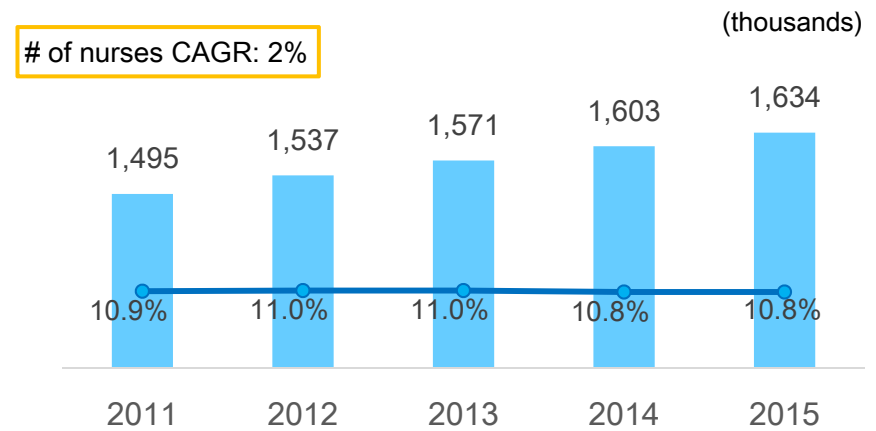
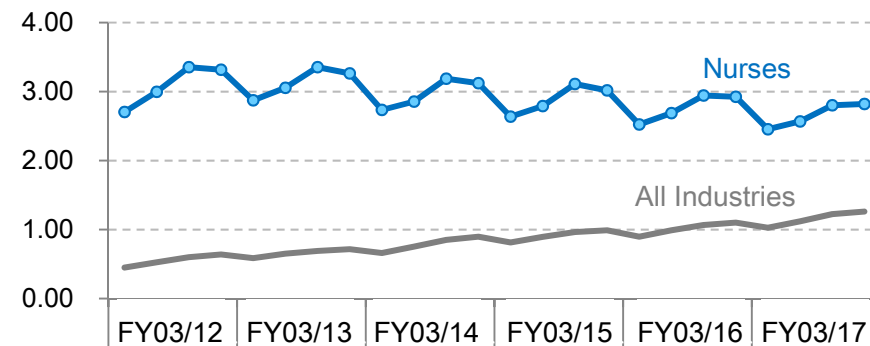
- ✓ Change the segments based on the strategy.

Former segments



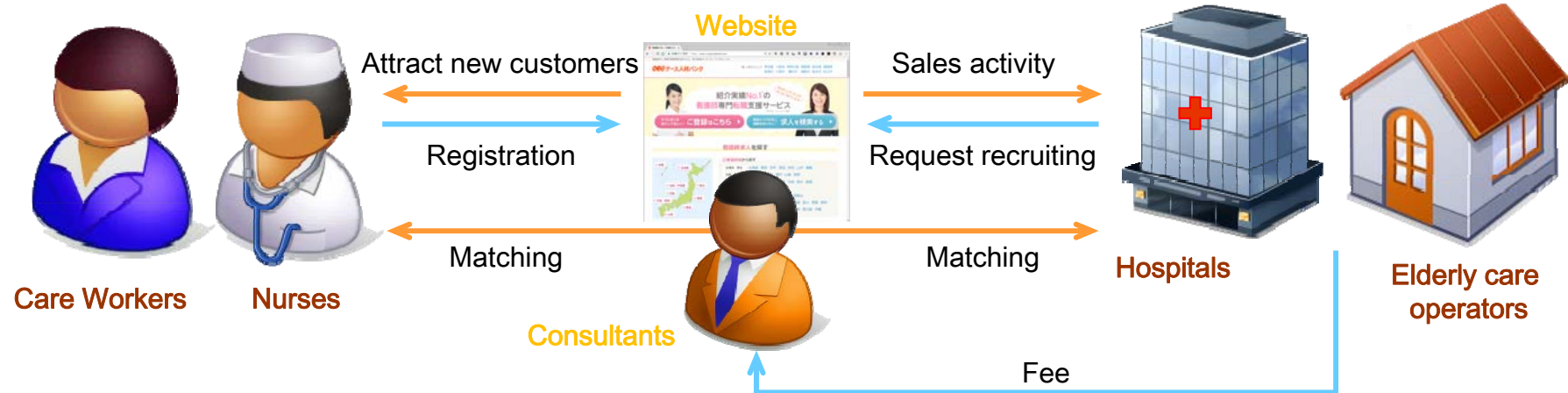
Career Businesses

- ✓ Labor shortages continue to be a serious issue despite an increase in both care workers and nurses.

Number of care workers and their turnover rate*¹Jobs-to-applicants ratio of care workers*²Number of nurses and their turnover rate*³Jobs-to-applicants ratio of nurses*²

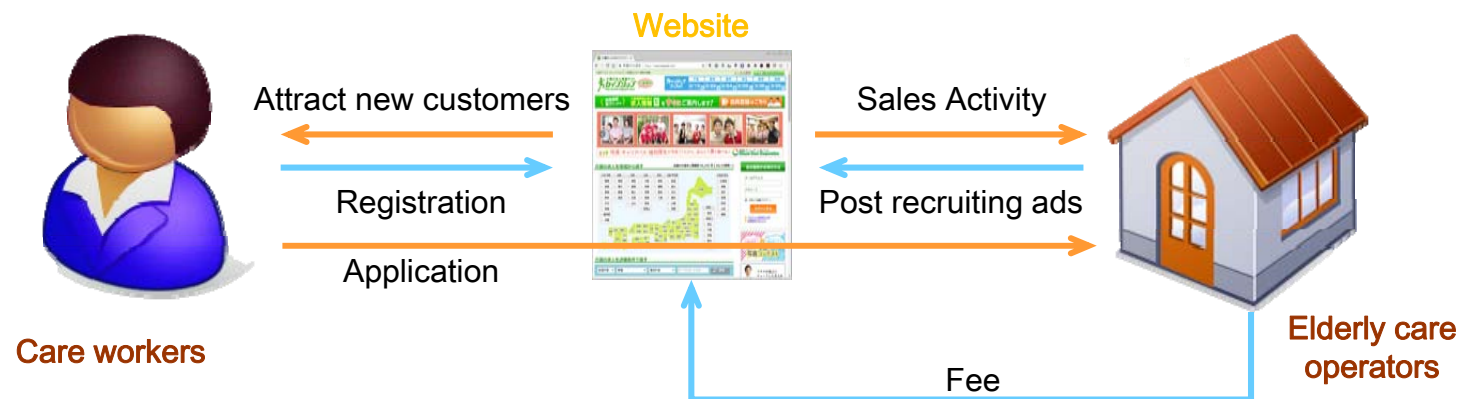
Business model of Recruiting Agent

Receive a certain percentage of an annual salary from a hiring business operator as a fee when an applicant joins it.



Business model of Recruiting Ads

Receive a fee for each application for a job via our Recruiting Ads



2 Our Strengths

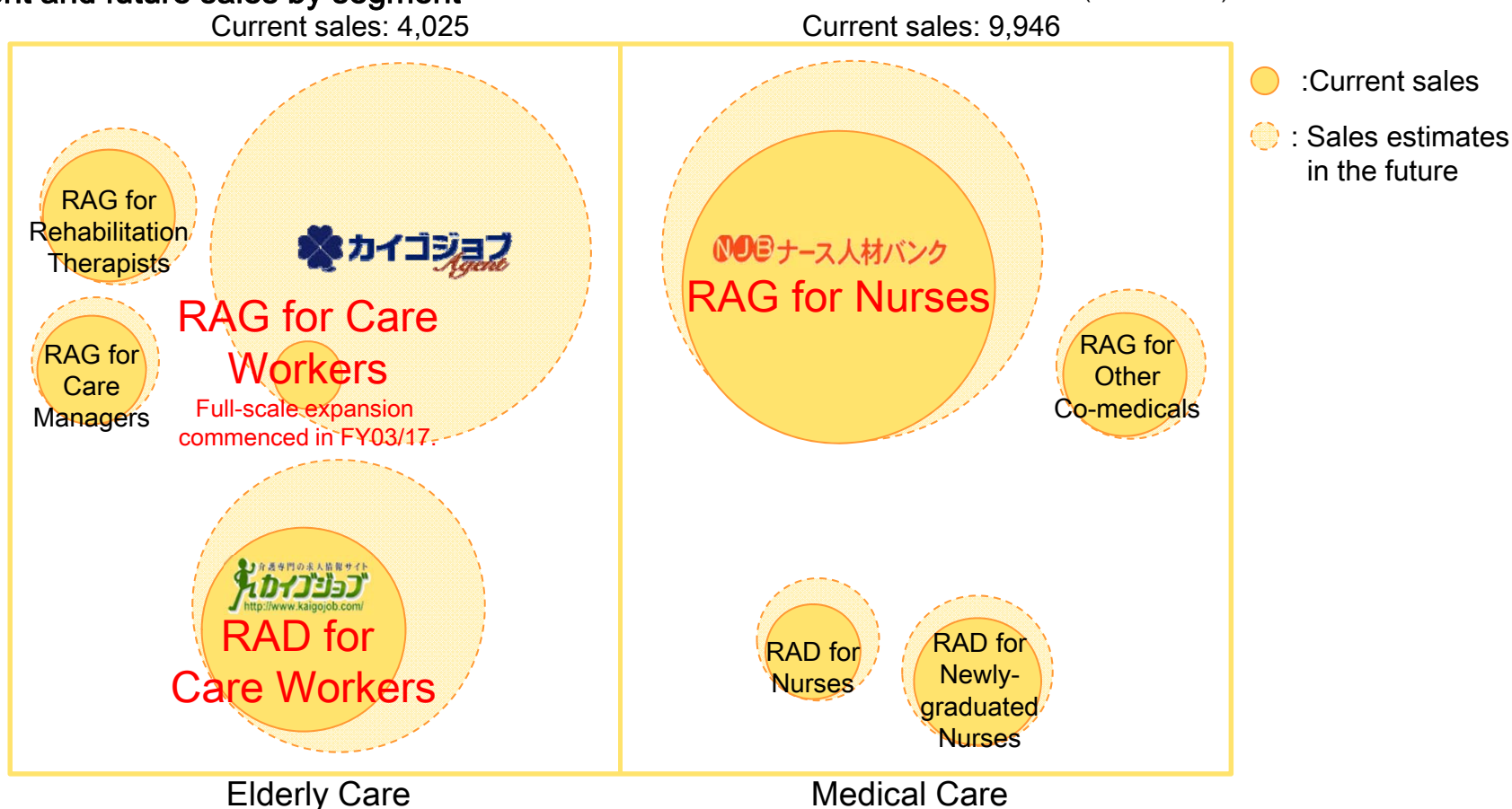
- ✓ As a pioneer, created these attractive markets and continue to lead them going forward as No.1 player.
- ✓ With strong competitive advantages in attracting customers and receiving orders, create a virtuous cycle that draws more job seekers and business operators.



- ✓ No.1 career services for healthcare professionals will continue to grow.
- ✓ Expands career services for care workers on a full scale.

Our current and future sales by segment*1*2*3

(JPY millions)



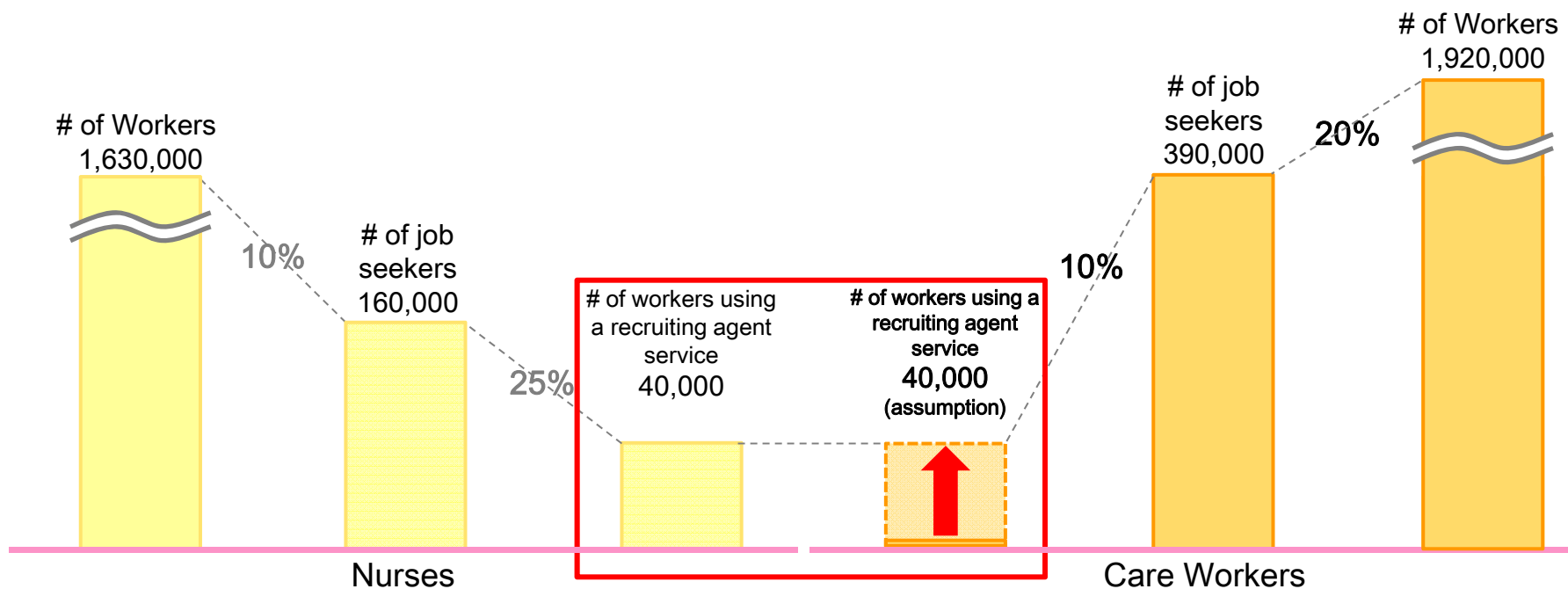
*1. The figures of "Current sales" are actual figures of FY03/2017.

*2. Career businesses for doctors and pharmacists are operated by M3 Career, Inc. which is a joint venture between M3, Inc. (51%) and SMS(49%).

*3. RAG: Recruiting Agent service RAD: Recruiting Ads service

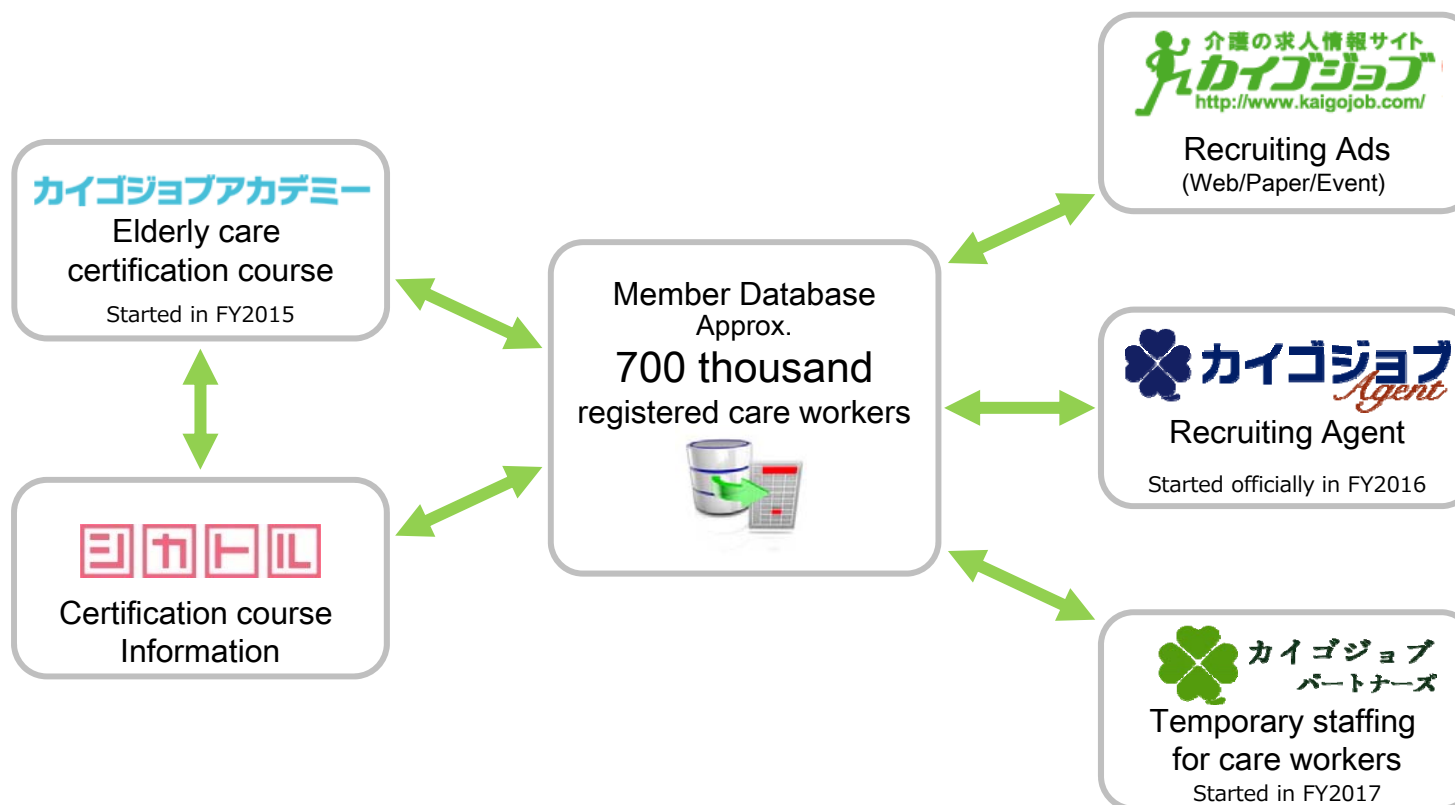
- ✓ Market size of Recruiting Agent for care workers is expected to become as large as that of nurses.

Potential number of users of care worker recruiting agent services*1



2 Topic: Elderly Care Career Strategy

- ✓ Leveraging our database of 700 thousand registered care workers, expands not only Recruiting Ads but also Recruiting Agent and the temporary staffing service in order to maximize the value offered to the care workers and service operators.
- ✓ Contributes to the increase of care workers with high social needs by supporting them to acquire qualifications.

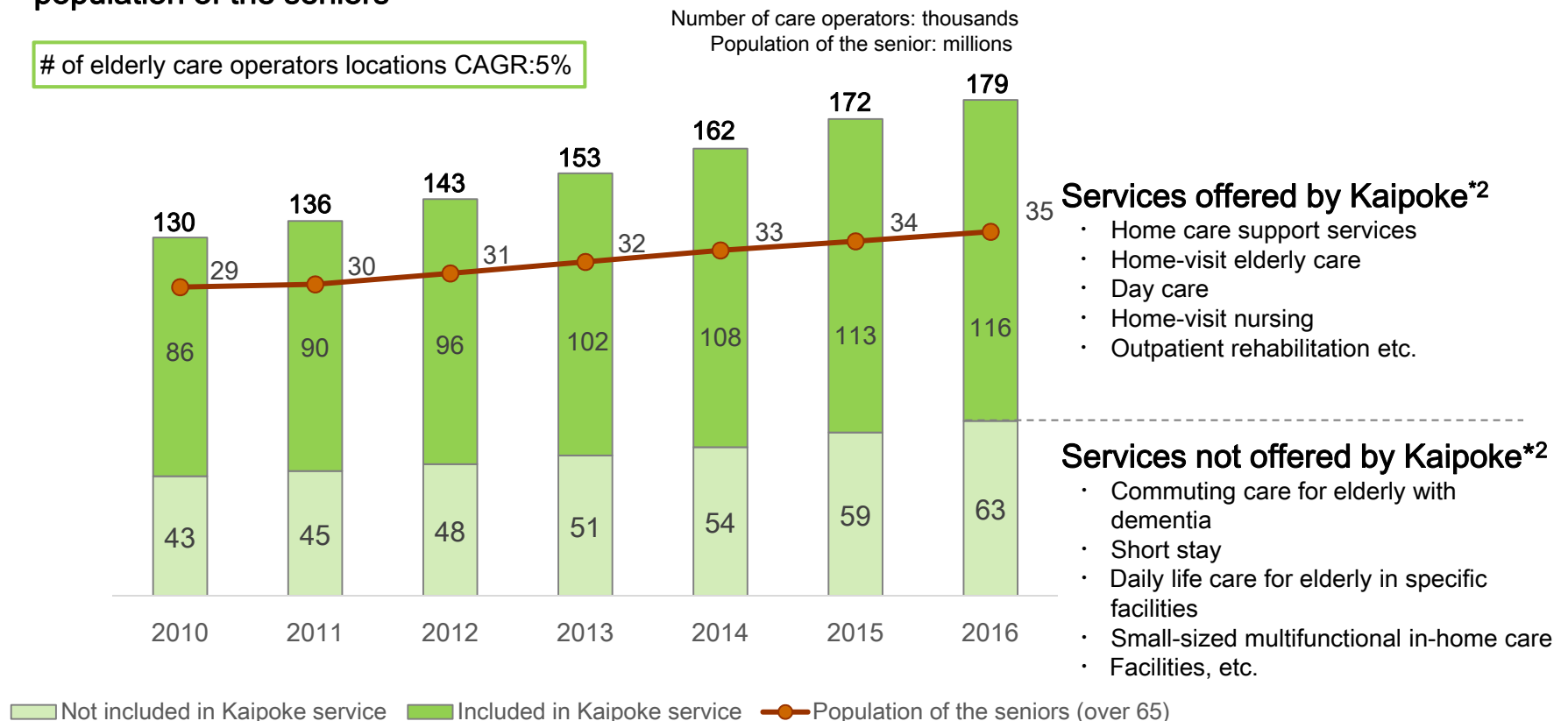


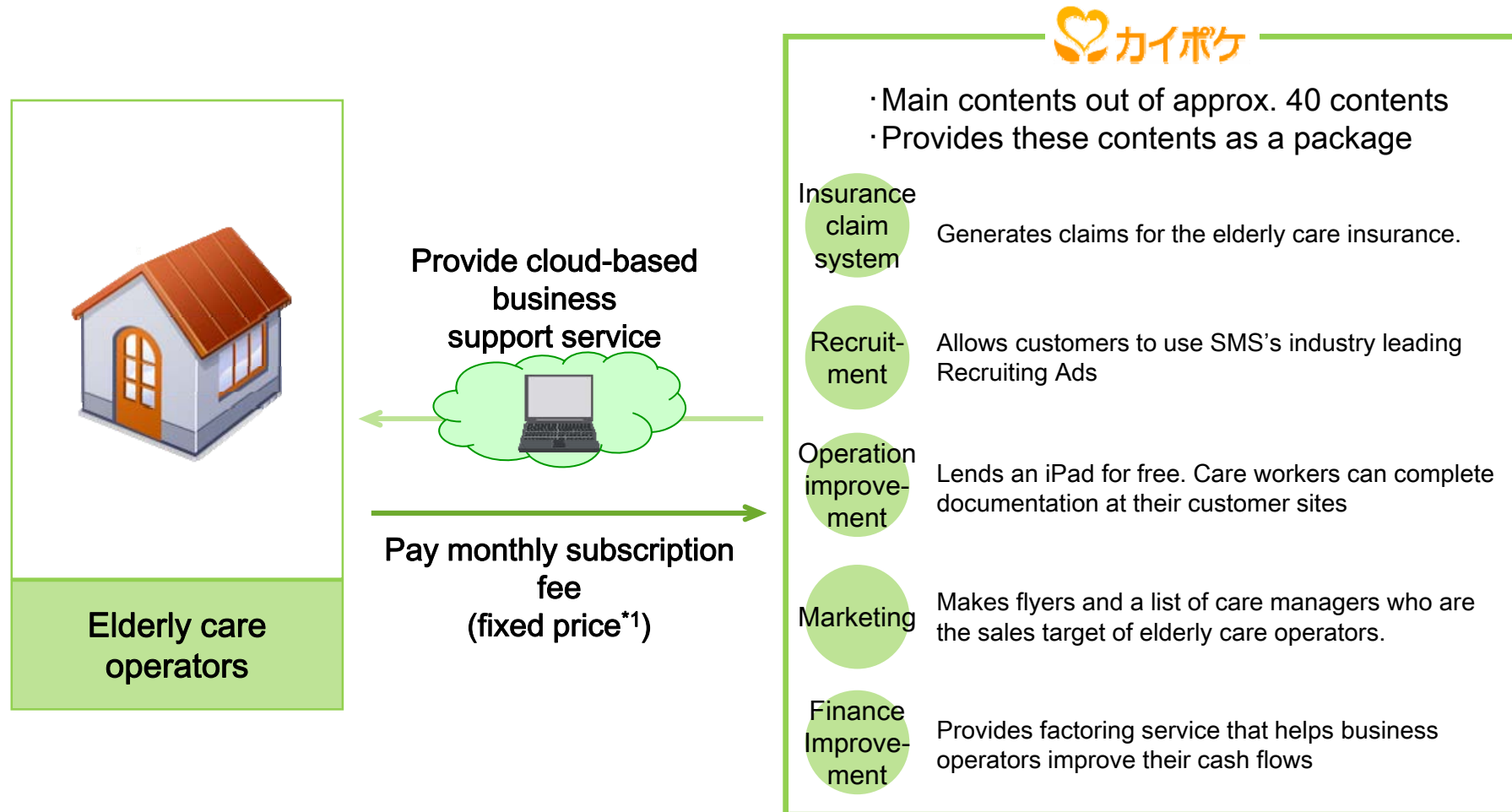
Kaipoke

- ✓ Many of the elderly care operators are small and mid-sized.
- ✓ Most of the elderly care services are in-home care, and facility care services are fairly few.
- ✓ The number of the elderly care operators has been increasing along with the elderly population growth.

Number of elderly care operators locations and population of the seniors*¹

of elderly care operators locations CAGR:5%





- ✓ Penetrated the market as a discount of the insurance claim system.
- ✓ Turned the insurance claim system into the business support and became the only player to provide the service of this kind to elderly care operators.

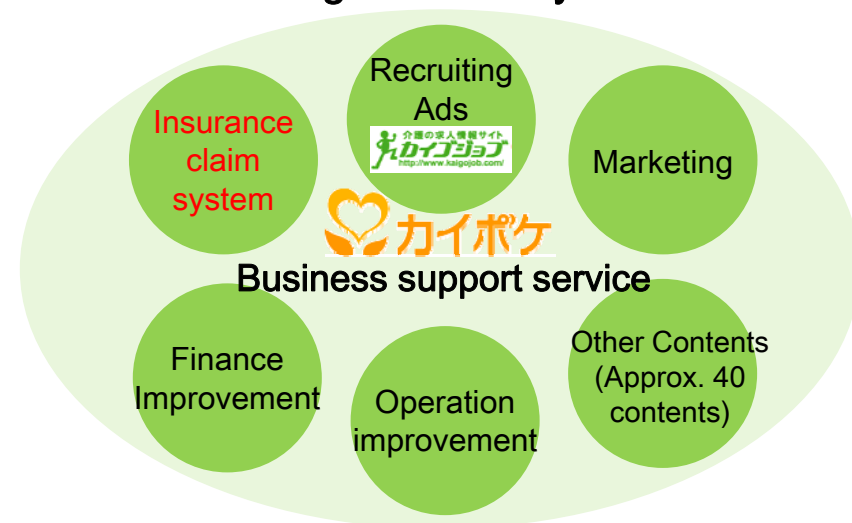
Prior to February 2014



(ARPU) JPY3,000 / month

- Many other competitors provide on-premises insurance claim system
- Fierce competition
- Entered the market with cloud-based insurance claim system as a discount

Starting in February 2014

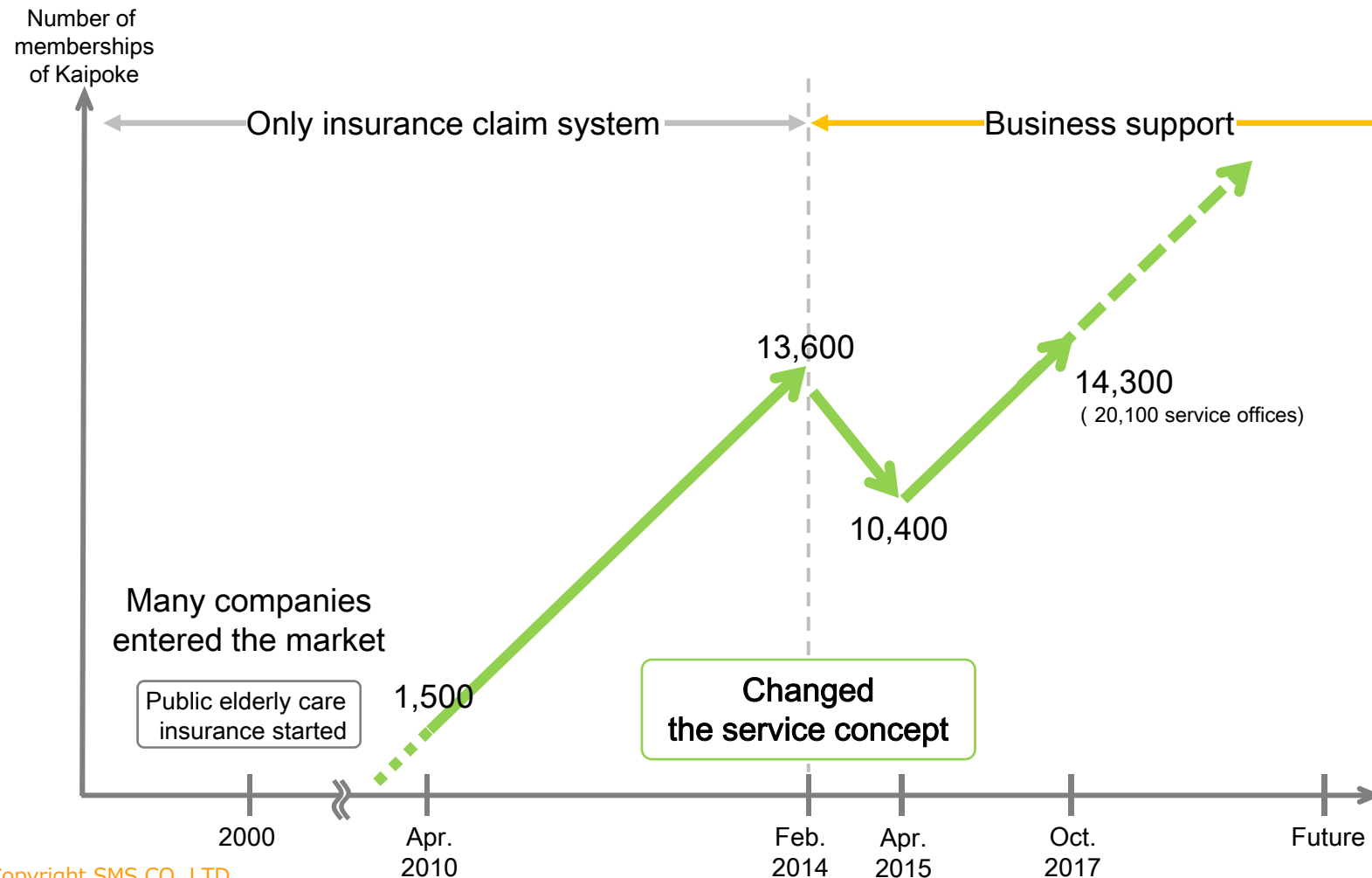


(ARPU) JPY 20,000 / month

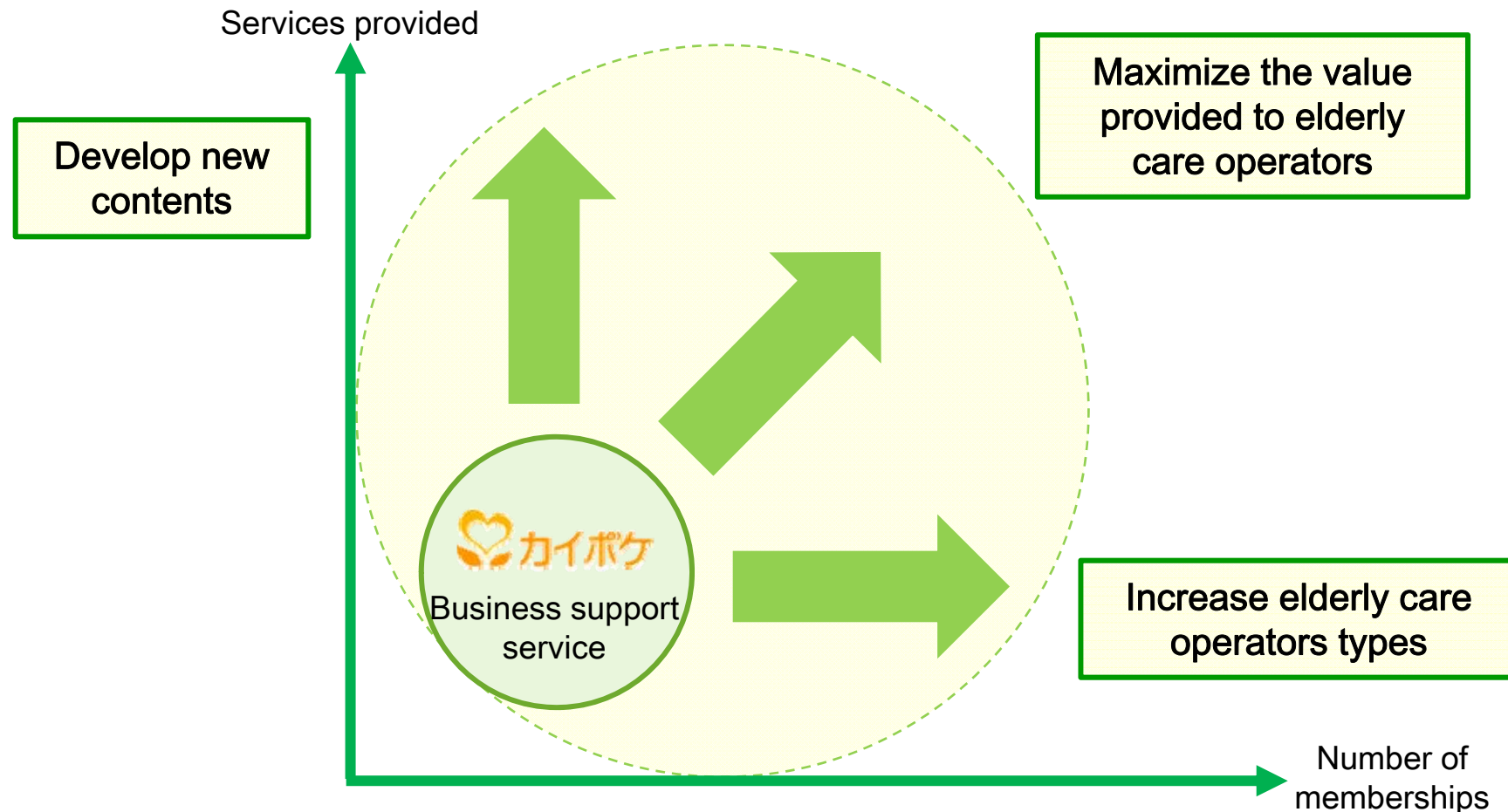
- The only player providing cloud-based business support service with approx. 40 contents including the No.1 recruiting ads service (Kaigojob)

2 The Strategy of Kaipoke 2/3

- ✓ The number of members is increasing in accordance with our strategy, despite some members leaving our service when we changed the concept and raised the price by 7 times.



- ✓ Expand the business further by increasing elderly care operators types and developing new contents.



Overseas Businesses (MIMS)

MIMS Group global coverage

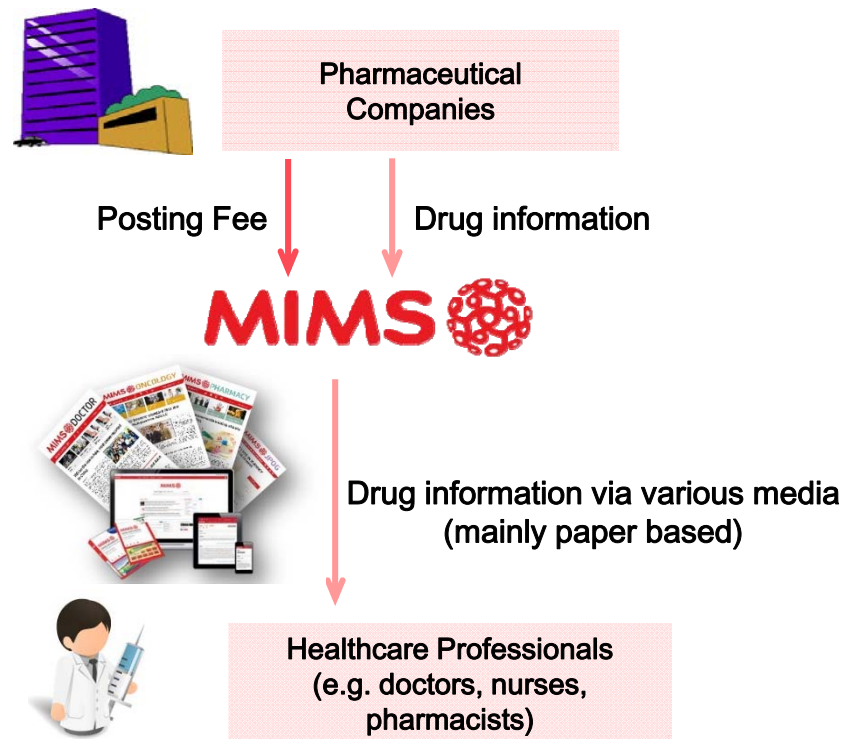


MIMS group profile

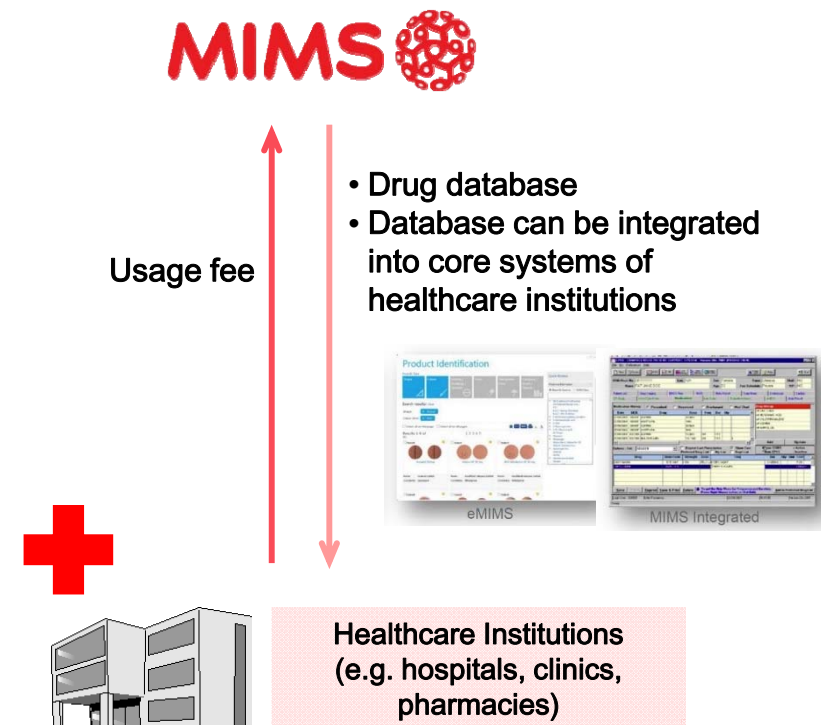


Founded	1963
Business models	· Pharma Marketing · Healthcare Data
Global coverage	13 countries and regions in Asia and Oceania
Number of memberships	Approx. 2.3 million memberships including 0.5 million doctors
Acquisition date	Oct. 7, 2015
Shareholding ratio	SMS 60%, Mitsui 40%

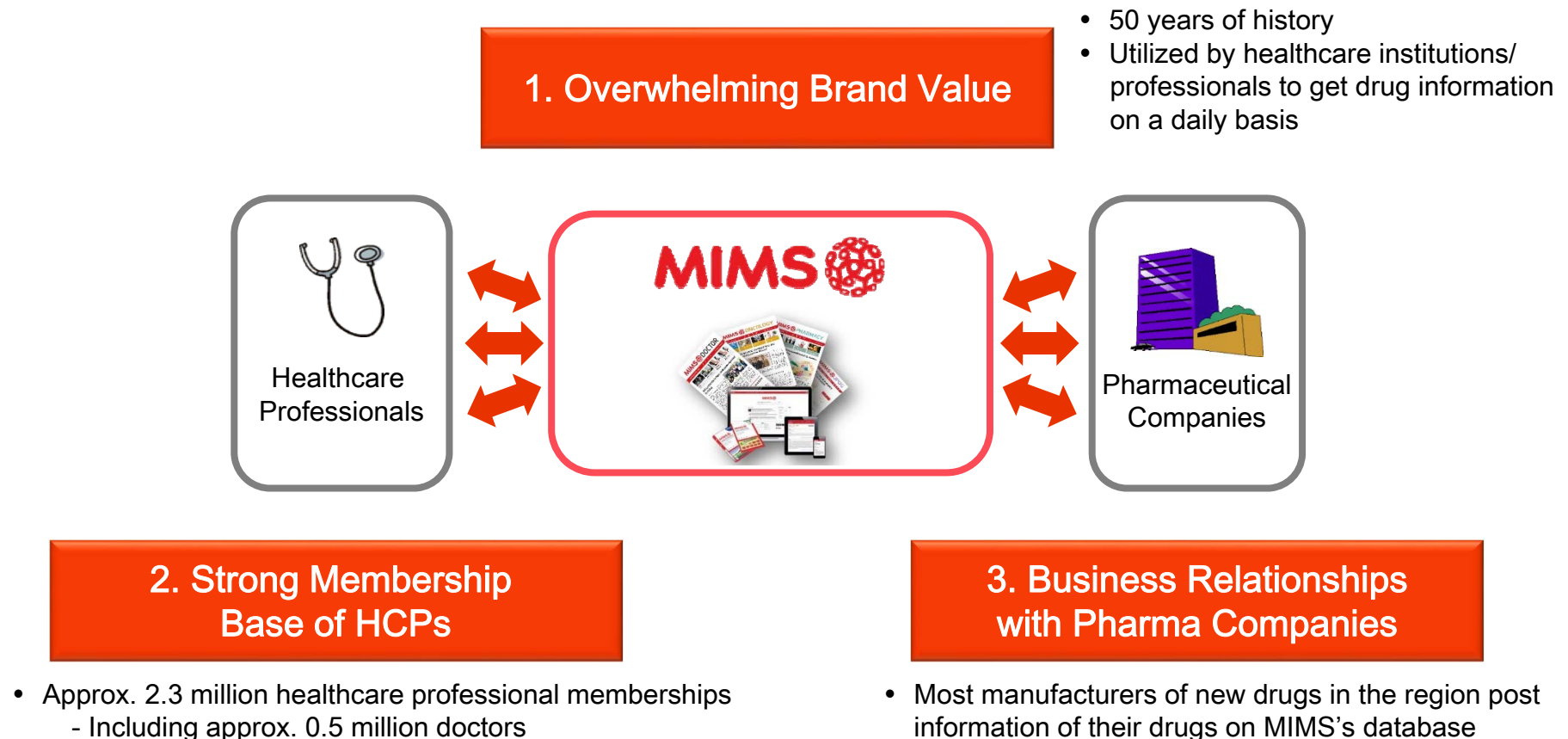
Pharma Marketing



Healthcare Data

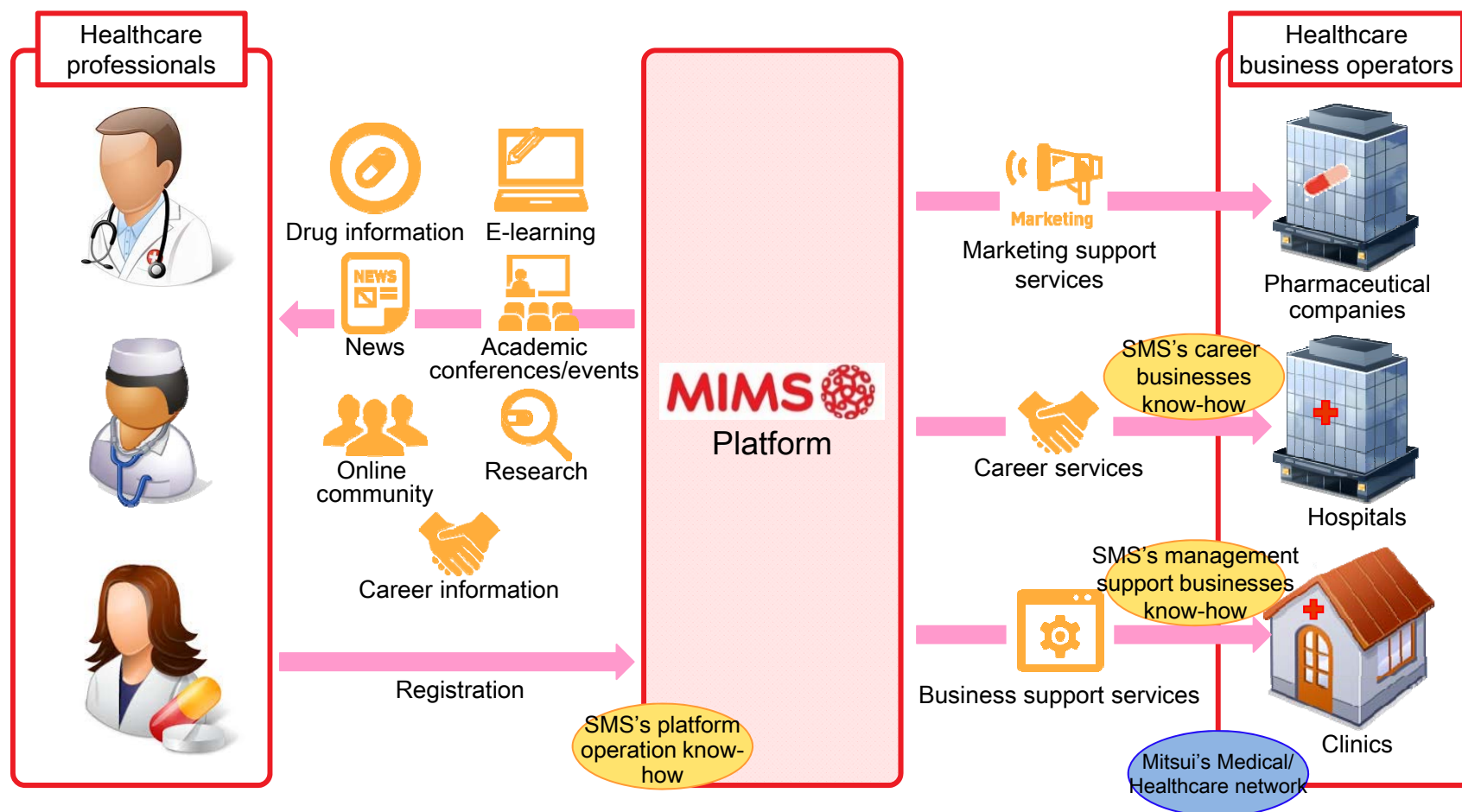


- ✓ Strengths of MIMS Group include its overwhelming brand value in the region, its strong membership base of healthcare professionals, and its business relationships with pharmaceutical companies.

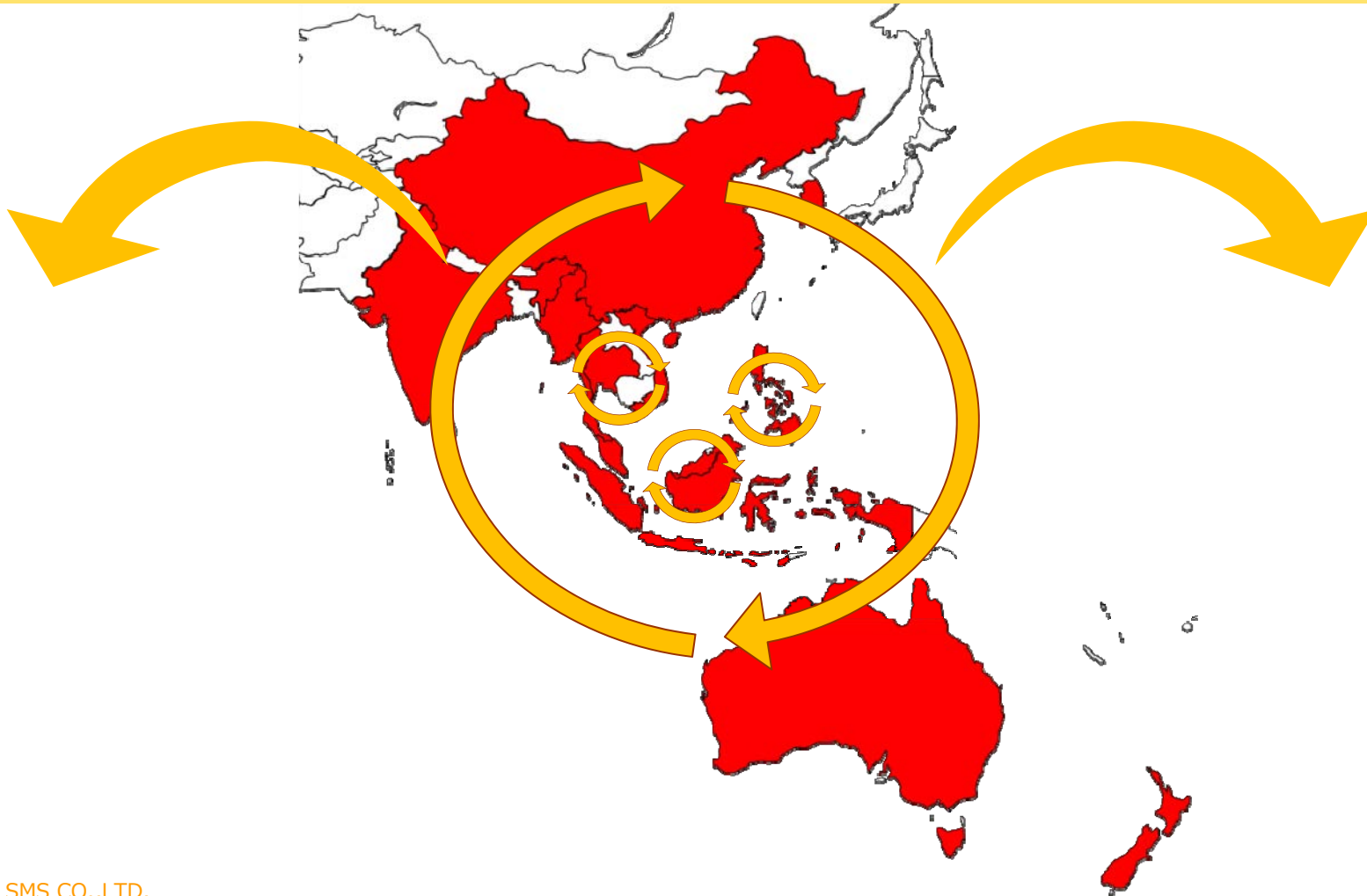


2 Strategy of MIMS 1/2: Creating a strong Platform

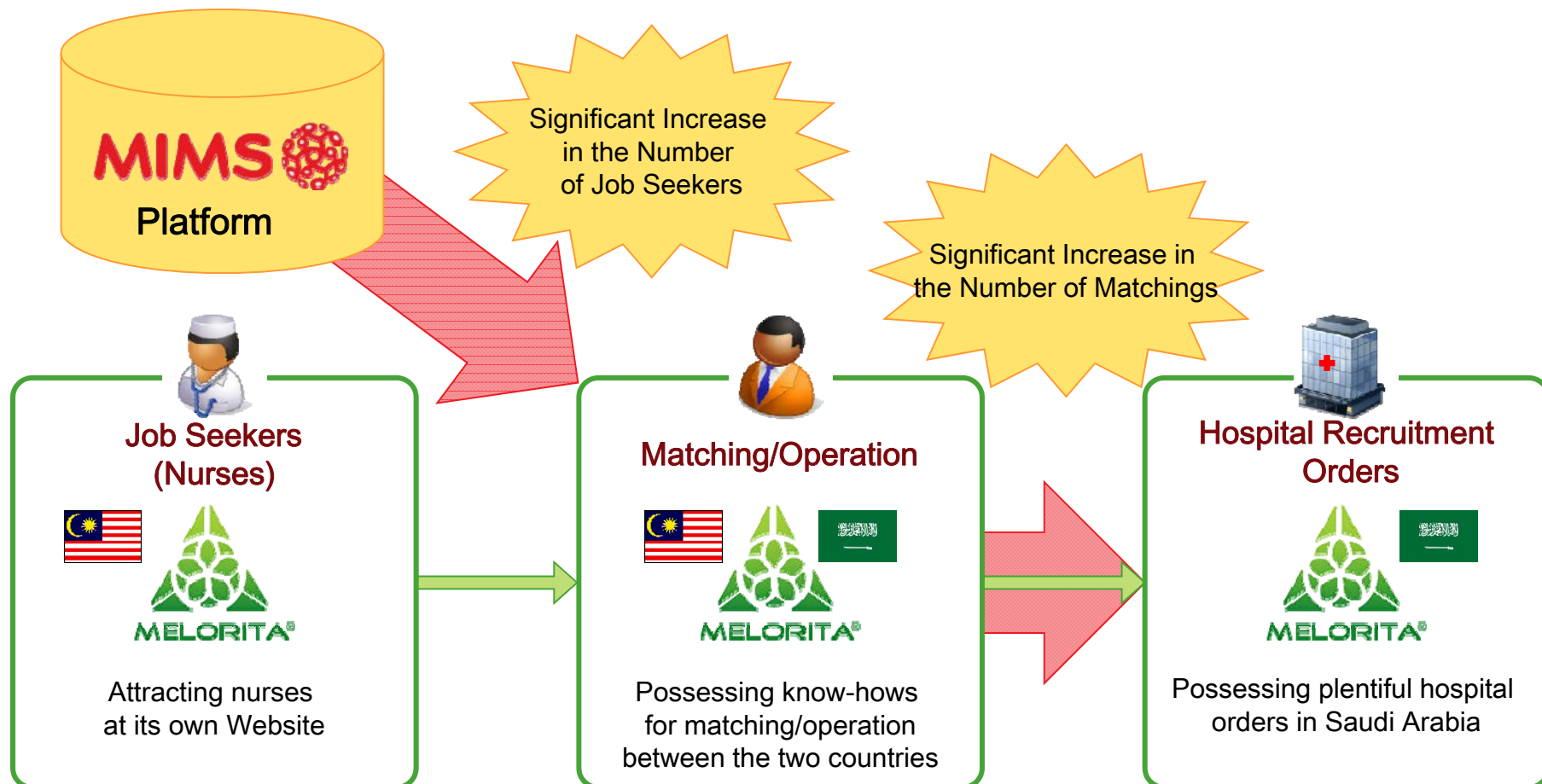
- ✓ Strengthen the MIMS platform by providing healthcare professionals with a wide range of information and services.
- ✓ Develop new services for healthcare business operators, utilizing the strong MIMS platform.



- ✓ Full-scale expansion starts in FY03/18, leveraging the strong healthcare professional (HCP) platform of MIMS.
- ✓ Establish a dominant position as HCP supply platform.



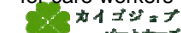
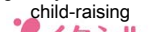
- ✓ Acquired Melorita, a company introducing Malaysian nurses to hospitals in Saudi Arabia.
- ✓ MIMS HCP platform enables Melorita to accomplish further growth by making full use of its plentiful hospital recruitment orders in Saudi Arabia.



New Businesses

2 Business Portfolio^{*1*2*3}

- ✓ Provide more than 40 services.
- ✓ Constantly develop new businesses to create the next pillars of our businesses.

Segment	Sub-segment	Services									
Career	Elderly Care Career	RAG for care managers 	RAG for PT/OT/ST 	RAG for care workers 	Certification course information 	Com for PT/OT/ST 					
	Medical Care Career	RAD for care workers 	RAD for newly-graduated elderly care professional 	Temporary staffing for care workers 	Elderly care certification course 	RAG for nurses 	RAG for medical technologists 	RAG for radiological technologists 	RAG for medical engineers 	RAG for nutritionists 	Solution service for hospitals 人事ソリューション
Elderly Care Operators	—	Business support service for elderly care operators 									
Overseas	—	Drug information service for healthcare professionals and institutions 	RAG for nurses (Malaysia and Saudi Arabia, etc.) 	Com and RAG/RAD for nurses (South Korea) 	Doctor consultation (Indonesia) 	Medical ad services (Philippines)	Medical ad services (Indonesia)				
Business Development	—	Information portal of housing for the elderly 	Home-delivered meal search site 	Com for care managers 	Com for care workers 	Com for families with those requiring elderly care 	Magazines for hospital management 				
		Housing renovation operators search site 	Mail order/online sales of nursing goods 	Publishing for nurses 	Online academic media for nurses 	Information portal for hospital Admin. managers 	Livelihood support search site 				
		Information portal of dementia 	Information portal of diabetes 	Q&A site on health 	News column regarding pregnancy, childbirth and child-raising 	Com for nutritionists 	Com for pharmacists 				
		Com for managers of elderly care operators 	User review site regarding elderly care operators 								

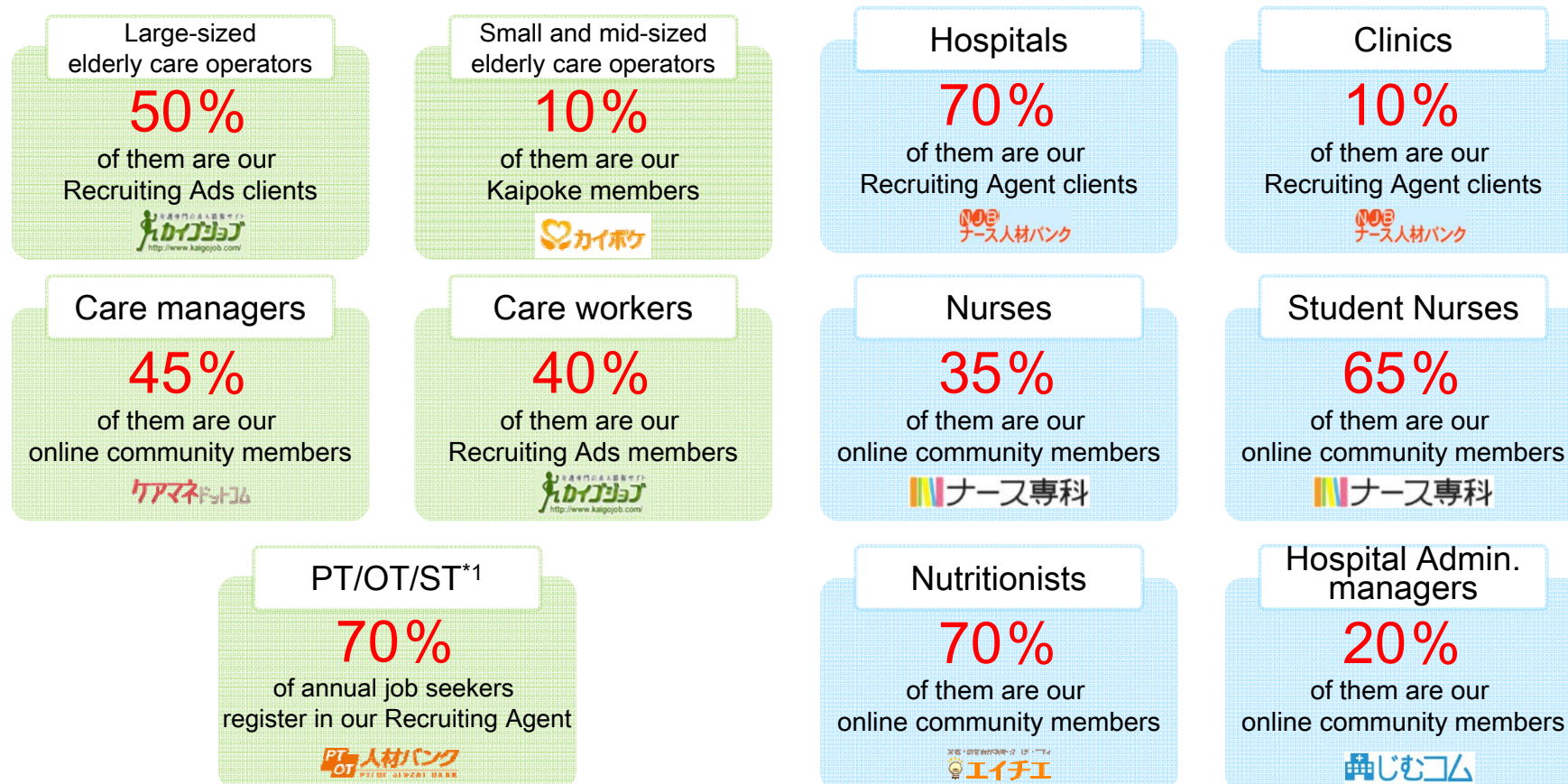
*1. As of June, 2017 *2. RAG stands for Recruiting Agent; RAD stands for Recruiting Ads; Com stands for online community

© Copyright SMS CO.,LTD. *3. Career businesses for doctors and pharmacists are operated by M3 Career, Inc. which is a joint venture between M3, Inc. (51%) and SMS(49%).

2 Advantages in Business Development

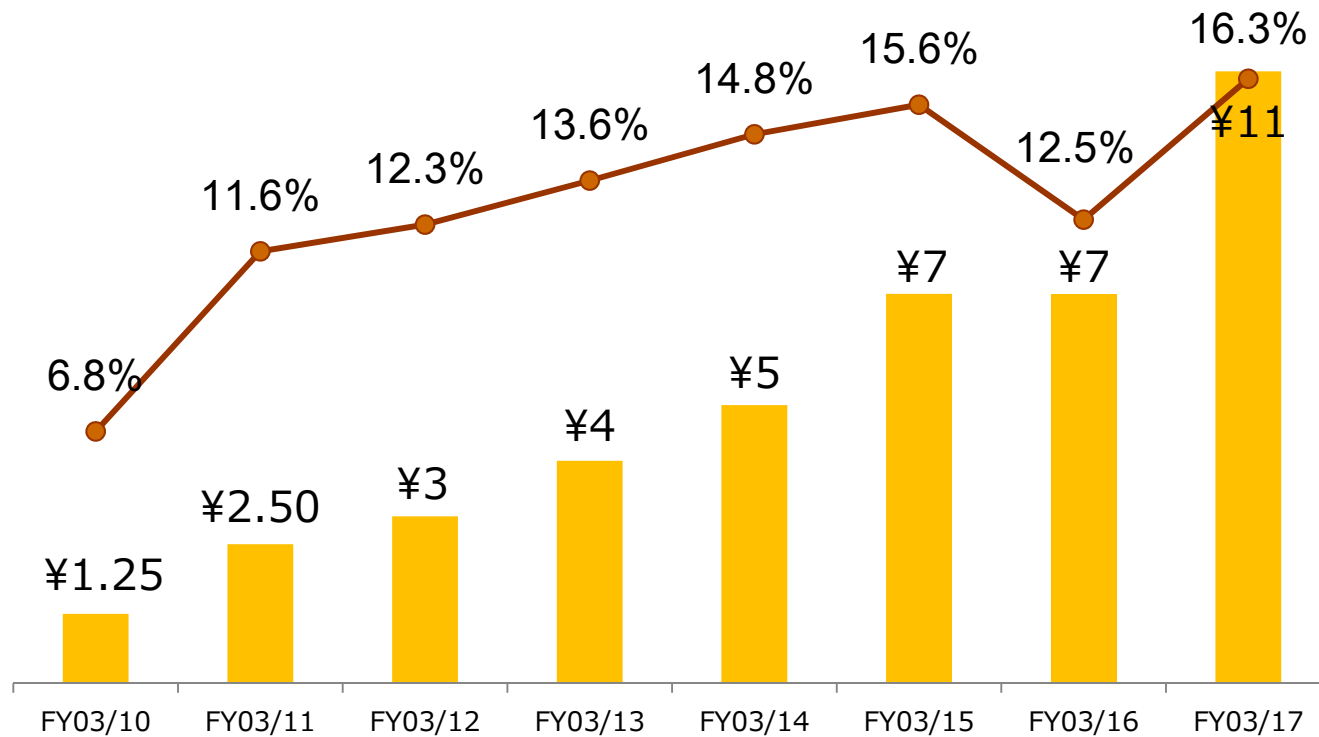
- ✓ Develop new businesses making use of the established bases of service operators and healthcare professionals in the elderly and medical care markets.

Shares of each customer



Other Information

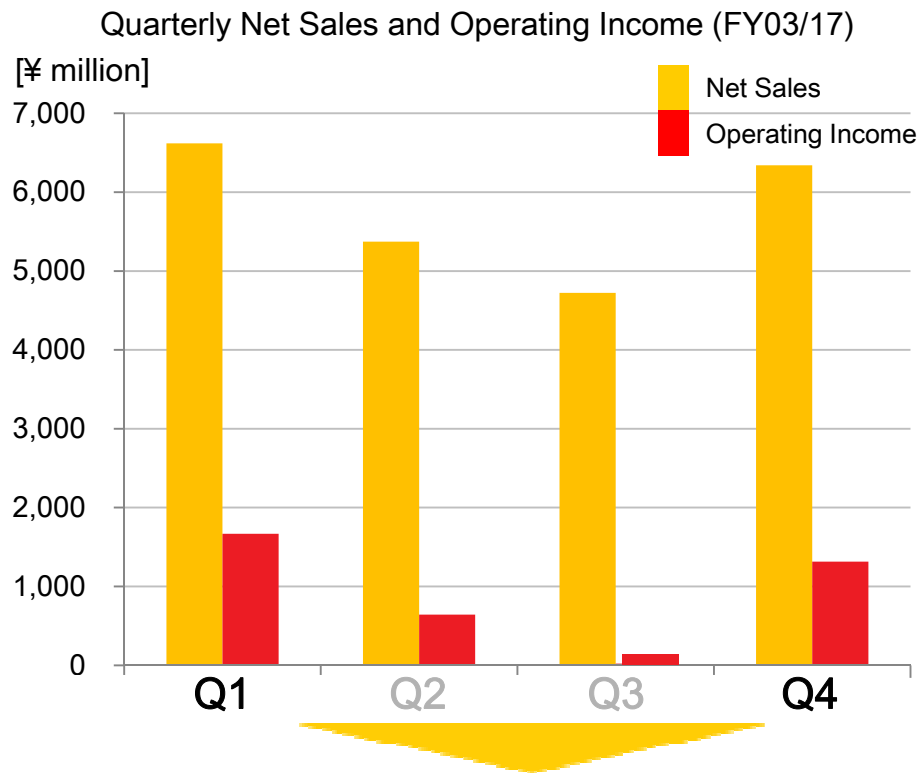
Trends of the amount and the payout ratio of dividends*1



2 Seasonal Volatility

- ✓ Net sales and operating income tend to increase in Q1 and Q4.

Seasonal Volatility of Net Sales and Operating Income



Both net sales and operating income increase significantly in Q1 and Q4

Businesses with Seasonal Volatility and Reasons

Businesses whose net sales and operating income increase in Q1

- Recruiting Agent Service
 - Net sales are booked when a job seeker joins a company; therefore, net sales and operating income increase in April (Q1) when personnel changes often happen

Businesses whose net sales and operating income increase in Q4

- Recruiting Ads Service
 - Net sales are booked when a job seeker applies for a recruiting ad; therefore, net sales and operating income increase in Q4 when companies publish recruiting ads targeting the beginning of a fiscal year when job seekers are likely to be motivated to change jobs
- MIMS group
 - The client (pharmaceutical companies) tend to increase their expenditure for advertising expenses toward December; therefore, net sales and operating income increase in Q4. (MIMS P/L is consolidated to SMS P/L following a three-month time lag.)

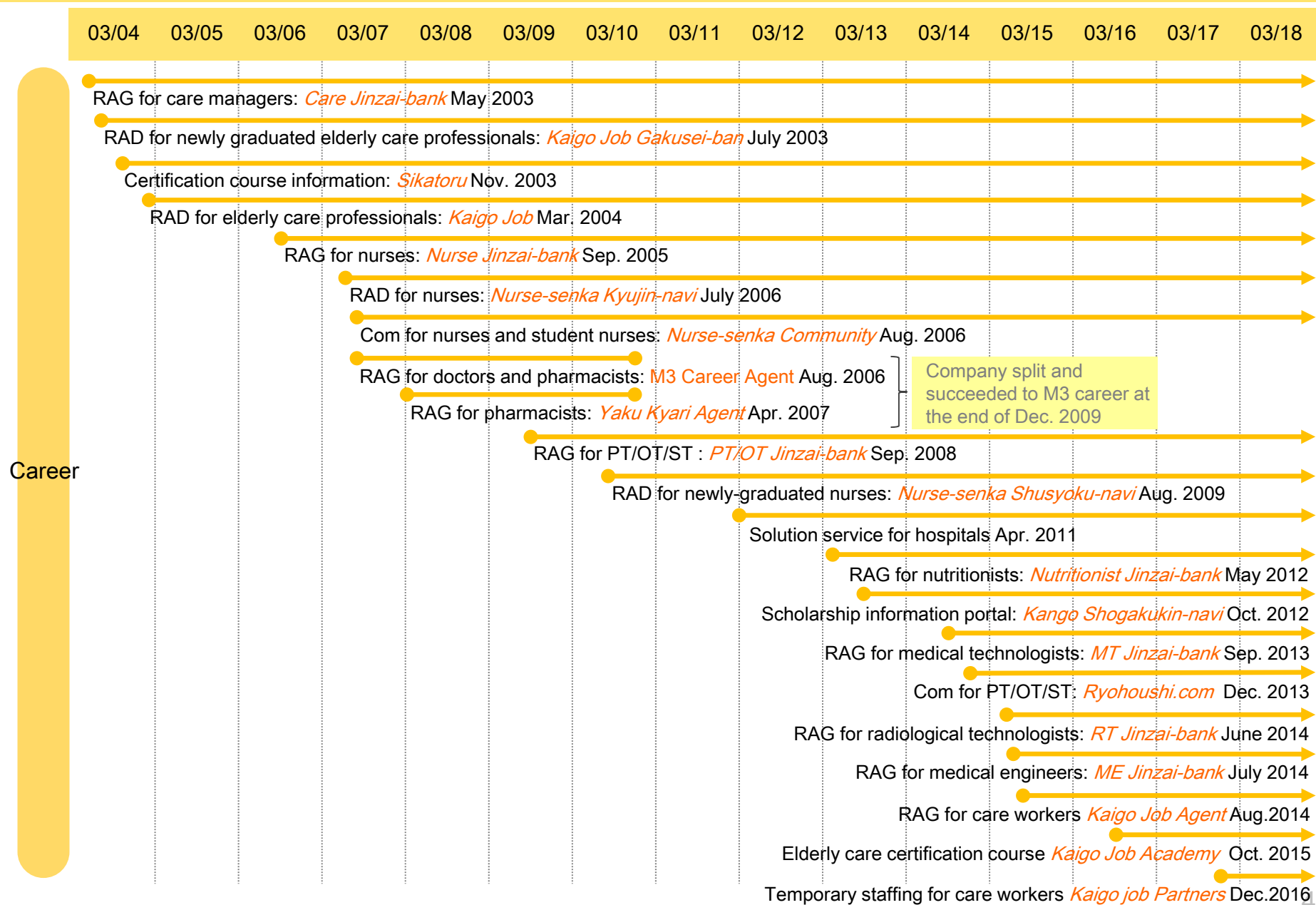
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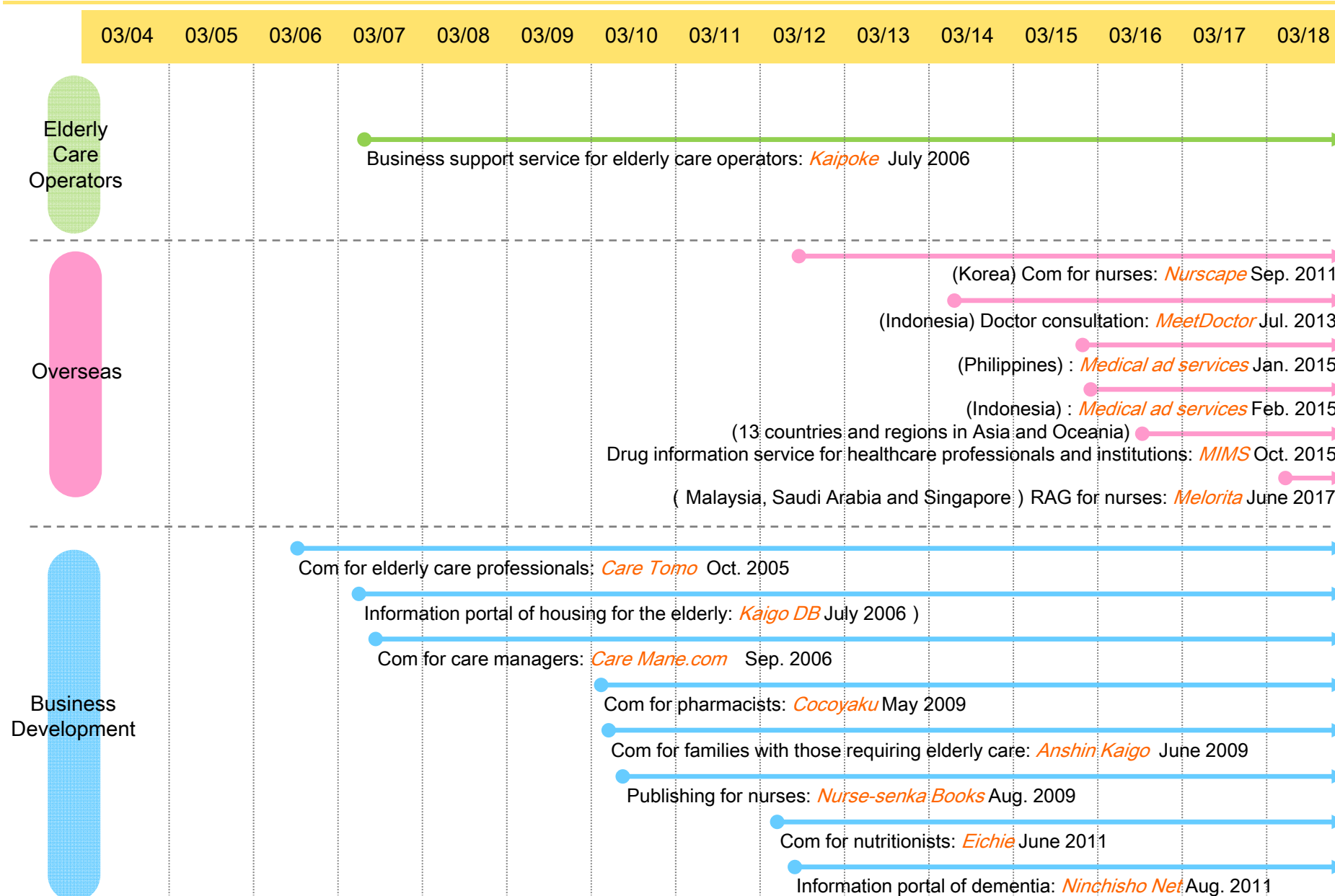
Historical Financial Results

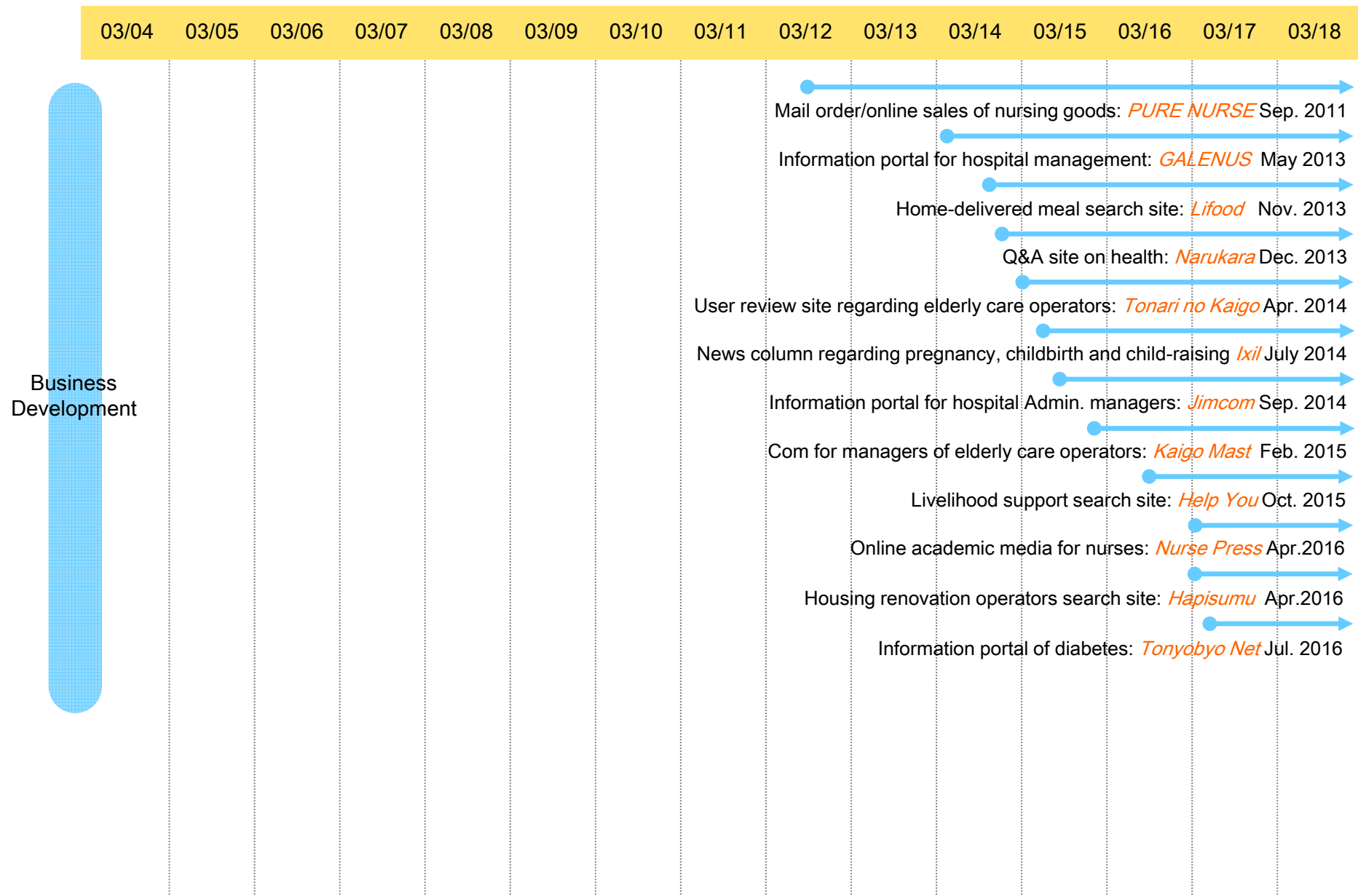


(JPY million)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Net Sales	58	383	835	1,545	2,715	5,177	7,172	7,618	8,692	10,181	12,046	15,056	19,069	23,054
Cost of Sales	0	5	20	38	77	149	375	319	431	700	952	1,332	2,204	3,727
SG&A Expenses	63	326	705	1,237	2,211	3,796	5,534	5,818	6,740	7,910	9,363	11,644	14,108	15,681
Operating Income	▲5	52	109	269	426	1,230	1,261	1,480	1,519	1,570	1,730	2,079	2,756	3,646
Ordinary Income	▲5	49	108	269	415	1,238	1,266	1,530	1,734	1,990	2,340	2,693	3,509	4,430
Net Income	▲5	31	63	157	244	719	717	876	1,004	1,226	1,380	1,824	2,265	2,801
Total Assets	59	357	566	1,016	1,806	3,118	3,645	4,672	5,716	6,948	8,406	11,421	41,689	43,231
Liabilities	55	166	196	489	822	1,410	1,266	1,430	1,579	1,794	2,331	4,497	28,532	21,648
Net Assets	4	190	369	527	983	1,708	2,379	3,242	4,136	5,153	6,074	6,923	13,157	21,583
Equity Ratio (%)	7.5	53.3	65.3	51.9	54.4	54.8	65.2	69.2	72.3	74.1	71.5	59.7	20.5	39.6
ROE (%)	▲124.9	31.8	22.8	35.1	32.3	53.4	35.1	31.2	27.3	26.4	24.7	28.4	29.5	21.8
DPS (¥) *1	-	-	-	-	-	1.25	1.25	2.5	3	4	5	7	7	11
Dividend Payout Ratio(%)	-	-	-	-	-	6.8	6.8	11.6	12.3	13.6	14.8	15.6	12.5	16.3







2 Number of Employees and Shareholder Composition



Number of employees

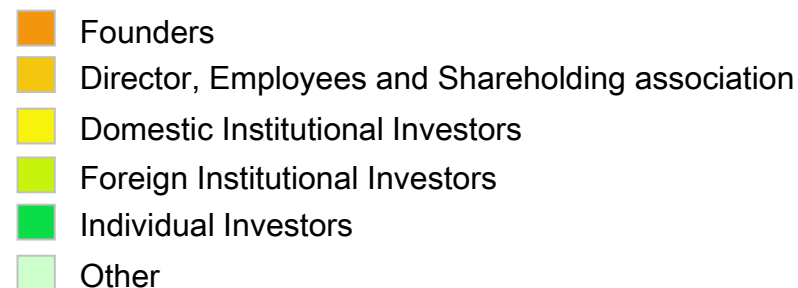
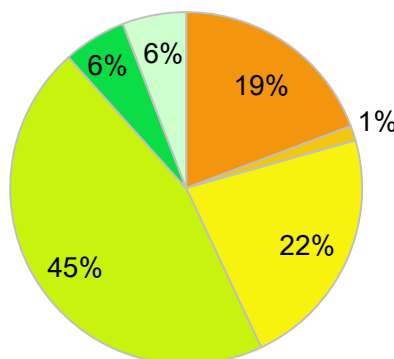
➡ Number of employees and its breakdown as of September 30, 2017

Employees (consolidated)	1,953
SMS CO., LTD.	300
SMS Career CO., LTD.	714
Subsidiaries and Sub-subsidiaries	939
Japan	223
Overseas	716

Shareholder composition*1

[as of September 30, 2017]

Number of stock
holders
4,556



Cautionary Statement with Respect to Forward-Looking Statements



These materials contain forward-looking statements, including estimates, projections, and statements related to the business operations of SMS CO., LTD. (hereinafter, “the Company”) based on current expectations and assumptions in light of the information available to the Company as of September 30, 2017. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- changes in economic conditions, market demand, and the competitive environment affecting Japan, Asia and other markets in which the Company operates;
- reliance on digital and information technology, including with respect to the handling of elderly care, medical care and other client information and operation of the Company’s online community services;
- inability to effectively execute M&A/business alliance and overseas expansion strategies;
- changes in the laws, regulations and government policies in the markets in which the Company operates, particularly relating to employment placement, elderly care and medical care;
- any damage to the brand image;
- risk of infringing intellectual property rights;
- fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the US dollar, the Singapore dollar, the Hong Kong dollar and the Australian dollar; and
- risk of impairment losses, particularly with respect to goodwill, trademark right and customer-related assets recognized in connection of the acquisition of a 60% interest in Medica Asia (Holdco) Limited in October, 2015.

A discussion of these and other factors which may affect the Company’s actual results, performance, achievements or financial position is described in “Business Risks” contained in the Company’s corporate website*1.

We do not intend, and disclaim any duty, to update or revise any forward-looking statements contained in these materials to reflect new information, future events or otherwise. We caution you not to place undue reliance on any forward-looking statements contained in these materials.

*1. <http://www.bm-sms.co.jp/eng/ir/policy/risk/>

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